

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, September 14, 1948. The Board met in the Special Library at 10:30 a.m.

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

Mr. Sherman, Assistant Secretary  
 Mr. Hammond, Assistant Secretary  
 Mr. Morrill, Special Adviser  
 Mr. Thomas, Director of the Division  
     of Research and Statistics  
 Mr. Vest, General Counsel  
 Mr. Nelson, Director of the Division  
     of Personnel Administration

There was presented a letter from the Federal Reserve Bank of Chicago dated August 28, 1948, stating that at a meeting on August 26, 1948, the Board of Directors of that bank voted to change the records of the bank to show that, effective September 1, 1948, the titles "Agricultural Economist, Senior", "Business Economist, Senior", and "Tax Economist, Senior" carry official status and that the salaries of the present respective incumbents of the positions, Messrs. Walter B. Garver, Walter E. Hoadley, Jr., and George W. Mitchell, be fixed at the rates of \$8,700, \$8,900, and \$8,500 per annum effective as of the same date. The letter requested approval of the payment of salaries to Messrs. Garver, Hoadley, and Mitchell as officers of the bank. There were also presented memoranda from Messrs. Thomas and Young, Director and Associate Director of the Division of Research and Statistics, respectively, dated August 4 and August 30 commenting favorably upon the proposal to designate

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the positions as "official", a memorandum from Mr. Nelson dated September 1 recommending that the action of the Chicago bank be not approved, and a memorandum from Mr. Riefler prepared under date of September 9, 1948 at the request of the Personnel Committee discussing the proposal in terms of the number of official positions in the research departments that might result if all Federal Reserve Banks took action similar to that taken by Chicago.

Mr. Sherman reviewed the discussion of the matter at the meeting of the Personnel Committee on September 2, 1948, and Mr. Thomas stated the reasons why he felt it important that the top economists at the Reserve Banks have the recognition and use of facilities which usually went only with official status.

During a discussion of the matter, Mr. Vardaman stated that several weeks ago Mr. Young, President of the Federal Reserve Bank of Chicago, called him on the telephone to discuss the proposal, that he (Mr. Vardaman) was then inclined to go along with the recommendation and that he still felt so inclined, that he was very much in favor of the use of the title, "senior economist" as suggested in Mr. Riefler's memorandum, but that he felt the matter should be considered on a System-wide basis, particularly in relation to its effect on the budgets of the Reserve Banks if a number of the banks should wish to give similar status to one or more economists. There was also a discussion of the extent to which other professional employees such as lawyers and examiners were given official

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status at the Reserve Banks, at the conclusion of which Mr. Vardaman suggested that Mr. Young be informed that, while the Board was sympathetic with the purposes behind the proposal, it preferred not to act in the matter until it had been discussed at a President's Conference from the standpoint of the effects such action might have for the System generally.

Mr. Vardaman's suggestion was approved unanimously, with the understanding that (1) Mr. Vardaman would telephone Mr. Young and inform him of the Board's views and (2) the matter would be placed on the agenda for the next President's Conference.

Mr. Vardaman referred to the provision in paragraph 8 of the Board's travel regulations which requires that when any travel at the Board's expense is contemplated by any member of the Board or of the Board's staff a memorandum shall be submitted in advance of the travel to the Board's Personnel Committee setting forth details regarding the proposed travel, and providing further that no voucher for expenses of such travel shall be paid by the Division of Administrative Services unless the Personnel Committee shall have approved of the travel. Mr. Vardaman proposed that this requirement, insofar as it applied to members of the Board, be eliminated and that instead Board members be required to report to the Board as far in advance as possible any official travel which they might contemplate. He went on to say that he felt no Board member should have the authority, as an individual member of the Board or of any committee of the Board, to give or deny

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his official consent for official travel by another member of the Board. He felt strongly that control of Board members' movements and actions should be with the entire Board in formal session, rather than by any committee or individual or group of individuals of the Board, acting in their individual, official capacities.

During a discussion of Mr. Vardaman's proposal it was stated that the present provision in the travel regulations had been decided upon at an executive session of the Board and that it might be desirable to consider the proposal at a meeting when all members of the Board could be present. It was also suggested that the matter be referred to the Personnel Committee for consideration.

Following the discussion, it was agreed unanimously that Mr. Vardaman's proposal be referred to the Personnel Committee. X

Mr. Clayton stated that the Burroughs Adding Machine Company had been studying means of mechanizing teller window operations in banks and had developed a plan for handling savings accounts that would involve the elimination of passbooks, that before the plan could be adopted by member banks a revision in the definitions of "savings deposits" in the Board's Regulations D, Reserves of Member Banks, and Q, Payment of Interest on Deposits, which now require that such deposits be evidenced by a passbook would be necessary, that the Burroughs Company had called to discuss the matter with Mr. Smead, Director of the Division of Bank Operations, and had asked that the Board make the necessary changes in its regulations, and that letters had been received from a number of

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member and nonmember banks requesting that the Board make such changes in its regulations as might be necessary to permit those banks which wished to do so to adopt the Burroughs plan. Mr. Clayton went on to say that the matter had been given some preliminary consideration by the Legal Division but that no conclusions had been reached as to whether a change should be made in the regulations, and he proposed that (1) the letters from the Burroughs Company and from banks which had requested the Board to revise its regulations be acknowledged with the statement that the Board would be glad to give the matter careful consideration and (2) the Reserve Banks be asked to study the proposal and to comment as to whether it would be desirable to change the Board's regulations to permit its adoption. Mr. Clayton added that if, after studying the matter, the Board felt that the proposal for revising the regulations was meritorious, the matter should then be taken up with other bank supervisory agencies.

Mr. Clayton's suggestions were approved unanimously.

Chairman McCabe stated that Mr. Riefler, Assistant to the Chairman, who is a member of an advisory committee making a study of savings under the sponsorship of the joint committee on investment research of the American Life Convention and of the Life Insurance Association of America, informed him yesterday that he had been asked to preside at a meeting of the research committee (which included the heads of four of the large life insurance companies) at which the monetary and fiscal problems of the

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Government would in all likelihood be discussed. Chairman McCabe said that he told Mr. Riefler it was almost inevitable that the discussion at such a meeting would turn to current monetary policies and the bond market, and he questioned whether it would be appropriate for Mr. Riefler to preside. He added that if, by participating in the meeting, anything constructive could be done to get the insurance companies to slow down their selling of Government bonds and making of commercial loans it would be desirable, but that he had informed Mr. Riefler that there was some question whether he should preside and that it was a question that should be considered by the Board.

Mr. Szymczak said that while Chairman McCabe was absent on vacation he learned that Mr. Riefler was chairman of the advisory committee to which Chairman McCabe referred, that the matter was discussed informally by the members of the Board who were then in Washington, and that at their request he (Mr. Szymczak) talked with Mr. Riefler who said that for several years he had urged the insurance companies to sponsor a study of savings, that the study had not developed until after he became Assistant to Chairman McCabe, that the insurance companies recently provided a fund of \$100,000 for a study to be conducted at (but not under the auspices of) the Institute for Advanced Study at Princeton University, and that Ralph A. Young, Associate Director of the Division of Research and Statistics, was to be Mr. Riefler's alternate. Mr. Szymczak also said that during his discussion with Mr. Riefler he learned that arrangements had been made, with the approval of Messrs. Eccles and Draper, to make space available in the

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Board's building for the study which was expected to extend over a period of about two years. Mr. Szymczak went on to say that Mr. Riefler felt the study was highly desirable and would be of help to the System, but that he raised a question as to whether he and Mr. Young could continue to serve on the committee under whose conduct it was to be made since members of the committee were to be paid a fee of \$100 for each meeting attended.

Mr. Draper stated that he had understood the study was to cover savings and that he felt it should not get into the question of current monetary policies or of the Government bond market.

Mr. Clayton said he felt the study was constructive and would no doubt provide information that would be useful to the System but that it raised again the question whether members of the Board or of the Board's staff should serve on committees of private organizations, a question which recently was considered in connection with a suggestion that Mr. Solomon, Assistant General Counsel, serve as a member of a committee of the American Bar Association. He added that, because of his position as Assistant to Chairman McCabe, expressions of opinion by Mr. Riefler either as chairman of the committee or as a member almost certainly would be looked upon by executives of life insurance companies who were vitally interested in the Government bond market as reflecting the same thinking that prevailed at meetings of the Board and of the Federal Open Market Committee and that, while Mr. Riefler's outstanding professional standing

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without question would cause him to be desired on the committee, it was likely that his close association with the Chairman of the Board and of the Federal Open Market Committee made his selection even more desired by the insurance companies.

Following a further discussion, at Chairman McCabe's suggestion it was agreed unanimously that he would request Mr. Riefler not to preside at meetings of the committee.

At this point Messrs. Thomas, Vest, and Nelson withdrew and the action stated with respect to each of the matters herein-after set forth was taken by the Board:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on September 13, 1948, were approved unanimously.

Memorandum dated September 3, 1948, from Mr. Thomas, Director of the Division of Research and Statistics, recommending the appointment of Mrs. Jennie Lee Glass as a clerk in that Division, on a temporary indefinite basis, with basic salary at the rate of \$2,498.28 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 Mrs. Glass would become



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a member of the Federal Reserve retirement system.

Approved unanimously.

Memorandum dated September 10, 1948, from the Division of Personnel Administration submitting memoranda from the heads of the divisions hereinafter named recommending increases in the basic annual salaries of the following employees in those divisions, effective September 19, 1948:

<u>Name</u>	<u>Title</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
<u>OFFICE OF THE SECRETARY</u>			
John C. Brennan	General Assistant	\$4,479.60	\$4,730.40
<u>RESEARCH AND STATISTICS</u>			
Mary M. Vicars	Clerk-Stenographer	2,799.24	2,874.48
M. Elva Morse	Clerk	2,799.24	2,874.48
Helen B. Arnold	Clerk	2,573.52	2,648.76
Beverly C. Lacey	Clerk-Typist	2,573.52	2,648.76
William Edward Hardy	Messenger	2,152.00	2,218.00

Approved unanimously.

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

"This refers to your letter of September 3, 1948, in which you recommend that for the purpose of electing Class A and Class B directors Group 3 include banks having capital and surplus of \$400,000 and less instead of \$300,000 and less as at present.

"In accordance with your recommendation, the Board of Governors has changed the classification of member banks for the purpose of electing Class A and Class B directors of your Bank so that Group 1 will consist of banks having capital and surplus of \$10,000,000 or over, Group 2 of banks with capital and surplus over \$400,000 but less than \$10,000,000, and Group 3 of banks having capital and surplus of \$400,000 and less."

Approved unanimously.

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Letter to Mr. McConnell, Vice President of the Federal Reserve Bank of Minneapolis, reading as follows:

"In accordance with the request contained in your letter of September 8, 1948, the Board approves the designation of C. W. Groth as special examiner for the Federal Reserve Bank of Minneapolis.

"Appropriate notation will be made in our records of the termination of the designation of C. J. Larson as a special assistant examiner."

Approved unanimously.

Telegram to Mr. Smith, Assistant Vice President of the Federal Reserve Bank of Cleveland, reading as follows:

"Reurtel September 10. Regulation W does not require instrument or record mentioned in section 3(c) to follow paper when instalment sale obligations are sold or discounted. In some cases when checking records of purchaser or dis-counter it may not be possible to establish compliance with respect to purchased paper when paper does not show its face failure to comply but as a rule the contracts show sufficient details. Section 8(a) requires adequate records on part of Registrants extending instalment sale or instalment loan credit, at least for the life of obligations to which such records relate regardless of what instruments or records accompany paper that is sold."

Approved unanimously.

Letter to Alfred Goldstein, Esquire, 402 Sixth Street, N. W., Washington, D. C., reading as follows:

"This refers to your letter dated September 2, 1948, relative to Regulation W. You inform us that you represent a client who is engaged in the instalment sale of taxicabs. It is your feeling that the inclusion of taxicabs under the regulation is unfair and inconsistent with the principles of consumer instalment credit control. You suggest either that

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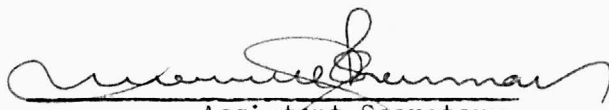
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"they be excluded from the automobile classification, as are nonpassenger automobiles, or that loans to finance their purchase be specifically excepted.

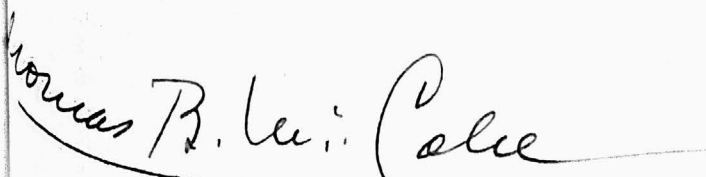
"Prior to the original adoption of Regulation W in 1941, during the lifetime of the previous regulation, and again prior to the adoption of the present regulation, the Board gave detailed consideration to the problem which you raise, and on each occasion it was decided that it would be undesirable to attempt to exclude taxicabs. In the first place it was not possible to identify a taxicab as a type of vehicle since in many instances popular model sedans are purchased for and are used as taxicabs. In the second place it was not possible to exclude taxicabs on a commercial use basis since to do so would have required excluding all passenger automobiles purchased for commercial use. In general, our numerous studies indicated that taxicabs properly belong in the automobile classification. For all practical purposes they are passenger automobiles which continue in short supply and in connection with which unduly liberal credit could have no effect other than to push upward on prices.

"It may be that you have some specific suggestions which you feel would enable us to overcome the objections to which we have referred. If so we shall certainly be pleased to consider them."

Approved unanimously.

  
Assistant Secretary.

Approved:

  
Chairman.