

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, February 4, 1949. The Board met in the Special Library at 10:30 a.m.

PRESENT: Mr. Eccles, Chairman pro tem.
Mr. Szymczak
Mr. Draper
Mr. Clayton

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Morrill, Special Adviser
Mr. Thurston, Assistant to the Board
Mr. Riefler, Assistant to the Chairman
Mr. Thomas, Director of the Division of Research and Statistics
Mr. Vest, General Counsel
Mr. Nelson, Director of the Division of Personnel Administration
Mr. Baumann, Assistant General Counsel

There were presented telegrams to the Federal Reserve Banks of New York, Philadelphia, Atlanta, Chicago, St. Louis, and Kansas City stating that the Board approves the establishment without change by the Federal Reserve Bank of St. Louis on February 2, and by the Federal Reserve Banks of New York, Philadelphia, Atlanta, Chicago, and Kansas City on February 3 of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Mr. Clayton stated that, pursuant to the understanding at the meeting on January 28, 1949, he had talked with Secretary of Labor Tobin and Mr. Tyson, Solicitor in the Department of Labor, concerning the proposed labor legislation which would repeal the

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Taft-Hartley Act including the exemption of Federal Reserve Banks from the National Labor Relations Act, that Secretary Tobin stated he would not oppose an amendment to the bill continuing the exemption provided under the Taft-Hartley Act, but that he did not feel he could sponsor it. Mr. Clayton said he then talked with Senator Thomas, Chairman of the Senate Labor Committee, who referred him to Senator Murray, as the Chairman of the subcommittee handling the bill, that before he had an opportunity to talk with Senator Murray, he received a telephone call from Mr. Coburn, an assistant to Senator Murray, who stated that Senator Thomas had mentioned his (Mr. Clayton's) call and that the subcommittee would like to know when the Board would send someone to testify before the subcommittee and that the time for appearance of a Board representative had been set for 9:30 a.m. on Saturday, February 5, 1949. He added that a draft of statement had been prepared for presentation at that time, but that the question was whether it would be better to try to get a statement in the legislative history of the new legislation that the Federal Reserve Banks were exempt from the provisions of the National Labor Relations Act regardless of the specific exemption in the Taft-Hartley Act, or whether there should be an appearance before the subcommittee for the purpose of requesting that an exemption be included in the new bill. It was Mr. Clayton's view that the latter course would be the safer one to pursue.

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It was the consensus of the members of the Board present that since it was not at all clear that it would now be possible to get a statement in the legislative history of the new bill exempting the Federal Reserve Banks, a request for continuation of the exemption in the Taft-Hartley bill should be made, and that Mr. Clayton should appear before the subcommittee in response to its request and present such parts of the statement that had been prepared as he saw fit. It was also the consensus that before testifying, Mr. Clayton should call Mr. Pace, Director of the Budget, on the telephone and inform him that he had been asked to present the matter to the subcommittee, that he had discussed the proposed exemption with Secretary Tobin who had stated that he would not oppose it, and that he wanted to inform Mr. Pace of the position the Board was taking and the procedure it was following in the matter.

Upon motion by Mr. Clayton and by unanimous vote, he was authorized to follow the procedure set forth above.

During the discussion, Mr. Young, Associate Director of the Division of Research and Statistics, entered the meeting. Mr. Nelson left the meeting at this point.

Mr. Riefler stated that he had informed Chairman McCabe by telephone of a request received from the Senate Banking and Currency Committee under date of January 28, 1949 for a report on S.J. Res. 9 to provide for the establishment of a National Monetary Commission,

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that Chairman McCabe had stated he would prefer to defer making a reply until his return but that if it seemed desirable to make a reply before that time he would suggest that the response state that it was the Board's understanding that the report of the Hoover Commission would have recommendations in this field, that the Board had not yet received a copy of that report, and that it would like to have an opportunity to study it before taking a position as to whether a National Monetary Commission should be established.

Upon motion by Mr. Clayton, it was agreed unanimously to defer making a report until after Chairman McCabe had returned.

Mr. Clayton stated that staff representatives of the Housing and Home Finance Agency had requested Mr. Young and members of the staff of the Division of Research and Statistics to furnish a memorandum discussing the question whether proposed local housing authority bonds that would be issued to carry out the public housing program recently recommended by the President should be tax exempt. He added that in its letter to the Bureau of the Budget dated January 4, 1949, commenting upon the proposed legislation, the Board took a position opposing tax-exemption for such bonds, and that a memorandum had been prepared in the Division of Research and Statistics, under date of January 19, 1949, discussing the problem and expressing a conclusion along the same lines as the Board's letter.

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Mr. Young stated that the staff representatives who called from the Housing and Home Finance Agency had asked for technical help so that they might be prepared to answer questions which might be raised at the time the legislation was considered by Congress as to why the bonds should not be tax exempt, that such inquiries were anticipated because there was some sentiment for making them tax exempt, and that they felt the effect upon the rate that local housing authorities would have to pay if the bonds were not tax exempt would be an important consideration in answering such requests.

Following a discussion of the matter, upon motion by Mr. Draper, Mr. Young was authorized unanimously to send the memorandum of January 19, 1949, to the staff of the Housing and Home Finance Agency with the statement that its transmission was authorized by the Board.

At this point Messrs. Riefler, Thomas, Vest, Young, and Baumann withdrew and the action stated with respect to each of the matters hereinafter referred to was taken by the Board:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on February 3, 1949, were approved unanimously.

Memoranda dated February 4, 1949, from Mr. Carpenter, recommending the appointments of Miss Kathleen Jane O'Connor and Mrs. Ruth Watson Osterhout Franta as file clerks in the Secretary's

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Office, on a temporary basis for a period of six months, with basic salary at the rate of \$2,724 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.

Approved unanimously.

Letter to Mr. Willett, First Vice President of the Federal Reserve Bank of Boston, reading as follows:

"The job evaluation data requested by the Board's letter of November 9, 1948, which was submitted with your letter of January 12, 1949, as well as the information relative to the present community wage rates, have been reviewed with much interest.

"The Board of Governors approves, as requested, the payment of above-maximum salaries to the following employees at the rates indicated:

<u>Name</u>	<u>Annual Salary</u>
George L. Campbell	\$3145
Josephine Fucarile	2400
Catherine Macheras	2400
Mary M. Foley	1316

"It is understood that the salary approved for Miss Foley is based on her service of 62.5 percent of full-time service.

"Since your latest salary survey indicates that the part-time employees in your Cafeteria are receiving salaries which, in comparison with the local market, are quite favorable, the Board of Governors feels that to further increase these salaries above the grade maximums is not desirable at this time."

Approved unanimously.

Letter to Mr. Weigel, Assistant Vice President of the Federal Reserve Bank of St. Louis, reading as follows:

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"Reference is made to your letter of January 21, 1949, requesting approval of a new scale of minimum and maximum salaries for the respective grades under the Job Classification and Salary Administration Plan at the Federal Reserve Bank of St. Louis and its Branches.

"The Board of Governors approves, effective February 1, 1949, the following minimum and maximum salaries for the respective grades at the Federal Reserve Bank of St. Louis and the Little Rock, Louisville and Memphis Branches:

<u>"Grade</u>	<u>Minimum Salary</u>	<u>Maximum Salary</u>
1	\$1,320	\$1,800
2	1,440	1,920
3	1,620	2,160
4	1,800	2,460
5	1,980	2,700
6	2,220	3,000
7	2,460	3,300
8	2,760	3,700
9	3,060	4,100
10	3,360	4,600
11	3,700	5,000
12	4,100	5,500
13	4,600	6,200
14	5,300	7,200
15	6,100	8,200
16	7,200	9,700

"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 assumed that all employees whose salaries are below the minimum of their grades as a result of the structure increase will be brought within the appropriate range as soon as practicable and not later than April 30, 1949."

Approved unanimously.

Letter to Mr. Gilbert, President of the Federal Reserve Bank of Dallas, reading as follows:

"Reference is made to your letters of January 18 and January 28, 1949, requesting approval of two new

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"scales of minimum and maximum salaries for the Dallas district; one for the Head Office, El Paso and San Antonio Branches, and another for the Houston Branch.

"The Board of Governors approves, effective January 13, 1949, the following minimum and maximum salaries for the respective grades at the Head Office and Branches:

"Head Office, El Paso and San Antonio Branches

<u>Grade</u>	<u>Minimum Salary</u>	<u>Maximum Salary</u>
1	\$1,380	\$1,860
2	1,500	2,040
3	1,620	2,220
4	1,740	2,340
5	1,860	2,520
6	2,040	2,760
7	2,220	3,000
8	2,460	3,300
9	2,760	3,700
10	3,060	4,100
11	3,420	4,600
12	3,800	5,100
13	4,200	5,700
14	5,000	6,700
15	5,900	7,900
16	6,600	8,900

Houston Branch

1	\$1,440	\$1,920
2	1,560	2,100
3	1,740	2,340
4	1,800	2,400
5	1,980	2,640
6	2,100	2,820
7	2,340	3,120
8	2,580	3,480
9	2,880	3,900
10	3,180	4,300
11	3,540	4,800
12	4,000	5,400
13	4,400	5,900
14	5,300	7,000
15	6,200	8,300
16	6,900	9,400

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"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 assumed that all employees whose salaries are below the minimum of these grades as a result of the structure increases will be brought within the appropriate range as soon as practicable and not later than April 30, 1949.

"Upon the basis of the community salary surveys it appears that the new wage structure will be under the community market at Houston and El Paso. It is believed that this situation should be watched closely and should not be continued if the community markets remain at their present level."

Approved unanimously.

Letter to Mr. John R. Reeves, Attorney, 7240 Wisconsin Avenue, Bethesda, Maryland, reading as follows:

"This is with further reference to your letter of January 10, 1949, regarding Regulation W, which we have previously acknowledged.

"You ask, in effect, whether certain proposed transactions, which you describe as follows, would be subject to the provisions of Regulation W:

"I have a client who desires to rent Bendix washers under lease agreements which will require the lessee to continue the lease in effect for at least four weeks and will require that this rental be paid in advance. At any time after four weeks the lessee will be permitted to terminate the rental agreement. My client also proposed to publish a standard list price at which used washing machines one year or more old will be sold. There will be no option given to the lessee to purchase the equipment but he will be in exactly the same position as any other prospective purchaser desiring to buy used washing machines at the standard published list price. There will also be no requirement that the lessee retain the equipment for longer than four weeks. Should the lessee at any time desire to purchase the equipment then under the lease the purchase price will be subject

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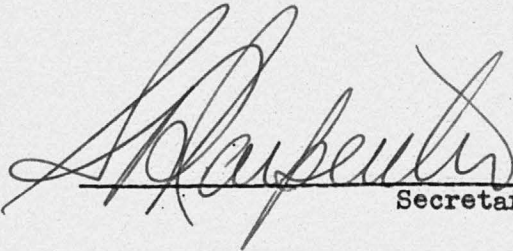
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"to agreement between the parties at the time the lessee indicates his desire to purchase the equipment.'

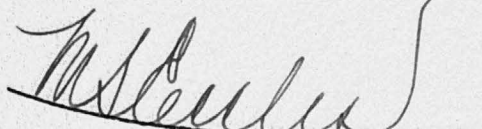
"The answer to your question necessarily depends on all the circumstances of the case, including not only the provisions of any written agreement between the parties but also any other facts that would throw light on the situation. There is enclosed a copy of an interpretation published at p. 1471 of the December 1948 Federal Reserve Bulletin which illustrates one type of rental-purchase arrangement which is subject to the regulation. Your client's proposed transactions would seem to have some similarity to those in the December ruling and, although we cannot be certain from the facts that you have submitted, there would seem to be a probability that your client's proposed transactions would be subject to the regulation.

"As indicated on the inside of the front cover of the enclosed copy of Regulation W, the regulation is administered on a decentralized basis through the Federal Reserve Banks. It is believed that questions can usually be answered more expeditiously if they are submitted through the Federal Reserve Bank of the district, which in your case is the Federal Reserve Bank of Richmond, Richmond, Virginia, and if you should have further questions with respect to the regulation we would suggest that they be submitted to that Bank rather than to the Board."

Approved unanimously.


Secretary.

Approved:


Chairman pro tem.