

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, March 25, 1949. The Board met in the Board Room at 10:30 a.m.

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

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Morrill, Special Adviser
Mr. Thurston, Assistant to the Board
Mr. Vest, General Counsel
Mr. Bethea, Director of the Division of Administrative Services
Mr. Millard, Director of the Division of Examinations

Mr. Vardaman referred to a draft of letter to Mr. Davis, President of the Federal Reserve Bank of St. Louis, prepared in response to his letter of March 18, 1949, with respect to the retention by the Bank of Mr. Guy A. Thompson of the firm of Thompson, Mitchell, Thompson and Young as special counsel to advise on legal problems in connection with the lease on property upon which a part of the Federal Reserve Bank building is located. He stated that Mr. Thompson was trustee for the Missouri Pacific Railroad, that Mr. Dearmont, Chairman of the St. Louis Bank, was chief counsel for the trustee but not a member of Mr. Thompson's law firm, and that the firm was of outstanding ability and he (Mr. Vardaman) could not suggest any other attorney who would be better able to serve the Bank.

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Following a discussion, upon motion by Mr. Vardaman, the letter to Mr. Davis was approved unanimously in the following form with the understanding that if the Bank should request permission to extend beyond April 15, 1949, the temporary employment of Mr. Carstarphen, former general counsel of the Bank, the Board would not approve such extension:

"This will acknowledge receipt of your letter of March 18, 1949 advising the Board that your Bank has retained Mr. Guy A. Thompson, of the firm of Thompson, Mitchell, Thompson and Young, as special counsel to advise on all the legal problems in connection with the lease on the property upon which a part of the Federal Reserve Bank is located.

"It is noted that Mr. Thompson's fee is not expected at this time to exceed \$2,500, but that in the event litigation or other extended work becomes necessary or desirable the fee might exceed such figure, in which case the Board's approval will be requested in accordance with the Board's letter S-1092 of February 28, 1949."

Reference was made to a memorandum from Mr. Vest dated March 22, 1949 with respect to a request from the Bureau of the Budget for a report on bills H.R. 2613 and S. 942, to establish principles and policies to govern generally the management of the executive branch of the Government. The memorandum outlined the general effect of the bills, their background, and the alternative courses that might be followed in preparing the requested report.

During a discussion of the content of the Board's report, it was suggested that the Board oppose the enactment of the legislation and that the staff be requested to prepare a draft of report along the lines of the discussion for consideration by the Board.

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Upon motion by Mr. Vardaman, this suggestion was approved unanimously.

There were presented telegrams to the Federal Reserve Banks of Boston, New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, Dallas, and San Francisco stating that the Board approves the establishment without change by the Federal Reserve Bank of San Francisco on March 22, by the Federal Reserve Bank of St. Louis on March 23, by the Federal Reserve Banks of New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, Minneapolis, Kansas City, and Dallas on March 24, 1949, and by the Federal Reserve Bank of Boston today, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Before this meeting there had been circulated among the members of the Board a memorandum dated March 16, 1949, with respect to a proposed purchase, at a cost of \$3,500, of china-ware and incidental items described in an attachment to the memorandum. Messrs. Eccles, Szymczak, and Vardaman had requested that the matter be considered at a meeting of the Board.

Following a discussion, upon motion by Mr. Szymczak, it was agreed unanimously that the recommendation be disapproved with the understanding that in the future the Board member whose assignments included

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the Board's building would be authorized to exercise his own judgment, within the limits of the amounts in the budget as approved by the Board, with respect to purchases of supplies and equipment for use in the Board's building.

Mr. Bethea withdrew at this point and Messrs. Young, Associate Director of the Division of Research and Statistics, Solomon, Assistant General Counsel, and Wood, Economist in the Division of Research and Statistics, joined the meeting.

There was presented a memorandum from Mr. Solomon dated March 18, 1949, with respect to an informal request from the Bureau of the Budget for the Board's views concerning a proposed amendment to Section 24 of the Federal Reserve Act which would authorize national banks, subject to rules prescribed by the Comptroller of the Currency, to make loans on long-term leases on the same terms as they are now permitted to make loans on fee simple estates. The memorandum had been circulated among the members of the Board and was on the docket for this meeting at Mr. Draper's request.

Mr. Solomon stated that the provision in question was part of a proposed amendment to the National Housing Act (Federal Housing Administration legislation) which was sponsored by the Housing and Home Finance Agency, that the Federal Housing Administration was now permitted to insure loans of this type but that national banks were not permitted to make such loans, and that the Comptroller of

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the Currency had no objection to the proposal which provided that such loans could be made by national banks under rules prescribed by the Comptroller of the Currency on a leasehold (1) under a lease for not less than 99 years which was renewable, or (2) under a lease having a period of not less than 50 years to run from the date the mortgage or trust deed was executed.

Mr. Millard stated that he felt the legislation would be desirable and that it was entirely practicable.

Upon motion by Mr. Szymczak, Mr. Solomon was authorized unanimously to inform the Budget Bureau that the Board favored the proposed amendment.

Mr. Millard withdrew from the meeting at this time.

Mr. Carpenter read a letter from the President dated March 23, 1949, requesting that the Board send to the Bureau of the Budget by April 15, 1949 its comments upon the proposals contained in the report of the Commission on Organization of the Executive Branch of the Government covering the regulatory commissions as well as on recommendations affecting the Board of Governors in other reports of the Commission.

There was a general discussion of the nature of the response to be made to the President's request and it was suggested that Messrs. Morrill and Thurston, in consultation with other members of the staff, prepare a draft of reply for consideration by the Board.

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Upon motion by Mr. Vardaman, this suggestion was approved unanimously.

Mr. Carpenter stated that the Board had received a request dated March 24, 1949 from the Budget Bureau for comments on a proposal with respect to housing credit which had been prepared by the Housing and Home Finance Agency as a basis for discussion of possible legislation and that a response was desired by tomorrow noon, if possible.

Mr. Young stated that the proposal was in the form of a draft of bill to make loans to non-profit corporations to assist in providing housing for persons of moderate incomes somewhat above the incomes of those for whom public housing was proposed, that the bill, among other things, would provide for loans for a period of 60 years with no down payment, and that he felt some of the proposals were objectionable in the light of the position the Board had taken on other housing legislation.

Mr. Eccles suggested that the staff be requested to prepare a statement with respect to the proposed legislation for consideration at the meeting of the Board next Tuesday and that the Budget Bureau be informed by telephone that the Board had not been able to consider the bill but that it expected to do so and to submit comments within a few days. He also suggested that if the timing of the consideration called for the submission of the

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Board's views before that time, the staff be authorized to express to the Bureau the informal views outlined during the discussion.

Upon motion by Mr. Vardaman, Mr. Eccles' suggestions were approved unanimously.

Secretary's Note: Following the meeting, upon checking with the Budget Bureau, it was found that an expression of the Board's views was urgently desired not later than Saturday noon, March 26, 1949, and in accordance with the foregoing understanding, the staff's views were transmitted by Mr. Wood along the lines discussed at the meeting.

At this point all of the members of the staff with the exception of Mr. Carpenter withdrew from the meeting.

Mr. Szymczak referred to the informal discussion at the executive session of the Board on March 7, 1949, with respect to assignments of subjects within the field of the Board's responsibilities to individual members of the Board for primary consideration. He stated that subsequent to that meeting he prepared the following memorandum outlining his views relating to the matters considered at that time. He added that he was bringing the matter up at this time, not with the thought that there would be any action in the absence of three members of the Board, but to place his views before the other members of the Board and to suggest that a decision be reached as to changes in the assignments before summer absences of the members of the Board began:

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"(1) Board Member assignments should be allocated on a more equitable basis. The purpose of such equitable distribution is to give each Board Member sufficient time to prepare recommendations for Board consideration. This will expedite action at Board meetings. Present assignments give certain Board Members too much, and other Board Members not enough to do;

"(2) Board Member assignments should rotate so far as possible every two years. Assignments could be so arranged that the alternate Board Member could gradually take over the assignments of the Board Member to whom he is an alternate. This would provide for proper continuity;

"(3) All correspondence, conferences, etc. within the scope of a Board Member's assignments should be referred initially to that Board Member. All discussions, at Board Meetings or otherwise, on matters relating to these assignments should be avoided unless and until that Board Member can be present. Telephone calls and callers on matters related to the assignment of a Board Member should be referred at once to that Board Member. In other words, the Board Member should be placed in a position, so far as possible, of having all the information pertaining to his assignment at all times, to avoid duplication, confusion, and poor organization;

"(4) Board Member assignments, so far as possible, should be related to each other in order to avoid, as much as possible, overlapping and possible conflict;

"(5) It should be clearly understood by all Board Members that assignments are on a functional basis rather than on a departmental or sectional basis.

"Apropos the last point, I had taken up, several months ago, with Chairman McCabe and Governor Evans, the question of research in the international field, which seems directly to relate to the assignments I have had for the last year. Under my assignments, 90 per cent of the work is in the research field. At one point I thought Mr. Evans and I had an understanding of, and an agreement on this matter. I find, however, that Governor Evans apparently changed his mind, though he has not told me so. At any rate, nothing further was done about it. I brought this up at the meeting and it seemed that all the Board Members agreed with my understanding of my assignments. Therefore, I hope that this will be corrected without any further delay. This is very important because

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"the International Section is a part of the Research Division which Mr. Evans construes to be under his direct supervision.

"Visits and Speeches

"As to visits by the Board Members to Federal Reserve Banks and Branches, I think it is contemplated in the law, and it certainly is in the interest of the Federal Reserve System that each Board Member visit the Federal Reserve Banks and Branches as often as possible without unnecessary overlapping and duplication by other Board Members. The desired goal, it seems to me, is to have each Board Member visit all the Federal Reserve Banks within a period of two years -- that means half should be visited in one year, and the other half the following year, so far as possible.

"As to speeches made by Board Members, I think that, too, is most desirable as long as it is done properly and judiciously. Since the personality and background of each Board Member is different, I think it should be left to the discretion of each Board Member as to what he should say and how, when, and where he should say it, so long as he does not overstep the bounds of good judgment and good organization, and so long as he is not inconsistent with the policies of the Board and the System. Any other course could be construed as an attempt to muzzle Board Members in their endeavor to meet their responsibility as they see it."

Following elaboration by Mr. Szymczak for some of the statements contained in his memorandum, Mr. Vardaman stated that following the assignments to members of the Board at the meeting of the Board on May 14, 1948, he expressed to Chairman McCabe some dissatisfaction with the assignments, that the matter was discussed informally from time to time thereafter, and that the suggestion was made by the Chairman that further changes await the appointment of new members of the executive committee of the Federal Open Market Committee and the Personnel Committee of the Board

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for terms beginning March 1, 1949. However, he said, when the matter came up at the meeting of the Board on February 24, 1949, it was proposed that changes in the assignments be considered at a later meeting. He added that while the question of assignments was discussed in executive session on March 7, 1949, no action was taken and it was understood that there would be a further discussion at a later meeting, and that in a subsequent conversation Chairman McCabe stated that the matter would be taken up as soon as he returned to Washington.

Following a general discussion, it was unanimously agreed that, inasmuch as Messrs. Eccles, Szymczak, and Vardaman were planning to be away and Mr. Eccles would not return until April 25, there should be no action to change the existing assignments until after that date, and that the Secretary be requested to put the subject on the agenda for the first meeting after April 25, 1949, for discussion and for such action as would distribute the assignments on a basis which would be satisfactory to the majority if not all of the members of the Board. In reaching this agreement it was understood that if any member of the Board was absent when specific proposals were made for changes in assignments, the matter would be discussed with him by telephone or otherwise and he would be given an opportunity to express his views before action on the changes was taken by the Board.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on March 23, 1949, were approved unanimously.

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Memoranda from heads of the divisions indicated below, recommending appointments to the staff in those divisions, effective as of the dates upon which the appointees enter upon the performance of their duties after having passed the usual physical examination:

<u>Date of Memo.</u>	<u>Name</u>	<u>Title</u>	<u>Salary</u>	<u>Duration of Appointment</u>
<u>RESEARCH AND STATISTICS</u>				
3/22/49	Mrs. Francesca K. Frost	Clerk-stenographer	\$2,724	Temporary Indefinite
<u>BANK OPERATIONS</u>				
3/23/49	Mrs. Pearle E. Randour	Clerk	2,724	Temporary Indefinite

Approved unanimously.

Memorandum dated March 24, 1949, from Mr. Millard, Director of the Division of Examinations, recommending that, effective as of the date upon which he enters upon the performance of his duties after having passed the usual physical examination, Thomas B. Abernathy be appointed as an Assistant Federal Reserve Examiner, with basic salary at the rate of \$3,351 per annum, and with official headquarters at Washington, D. C.

By unanimous vote, Thomas B. Abernathy was appointed an examiner to examine Federal Reserve Banks, member banks of the Federal Reserve System, and corporations operating under the provisions of sections 25 and 25(a) of the Federal Reserve Act, for all purposes of the Federal Reserve Act and of all other acts of Congress pertaining to examinations made by, for, or under the direction of the Board of Governors of the Federal Reserve

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System, and has designated him as an Assistant Federal Reserve Examiner, with official headquarters at Washington, D. C., with basic salary at the rate of \$3,351 per annum, effective as of the date upon which he enters upon the performance of his duties.

Memorandum dated March 24, 1949, from Mr. Bethea, Director of the Division of Administrative Services, recommending that the resignation of Mrs. Marie S. Alleman, a stenographer in that Division be accepted to be effective, in accordance with her request, at the close of business on March 31, 1949, with the understanding that proper payment would be made for annual leave remaining to her credit as of that date.

Approved unanimously.

Letter to Mr. Lunding, Deputy Chairman at the Federal Reserve Bank of Chicago, reading as follows:

"The Board of Governors approves the payment of salaries to the following officers of the Federal Reserve Bank of Chicago and the Detroit Branch for the period April 1, 1949 to March 31, 1950, inclusive, at the rates indicated, which are the rates fixed by the Executive Committee of the Board of Directors as reported in your letter of March 18, 1949:

<u>"Name</u>	<u>Title</u>	<u>Annual Salary</u>
C. S. Young	President	\$35,000
Charles B. Dunn	First Vice President	20,000
Neil B. Dawes	Vice President and Secretary	14,500
Wilford R. Diercks	Vice President	13,500
John K. Langum	Vice President	12,500
Otto J. Netterstrom	Vice President	17,000
Arthur L. Olson	Vice President	16,500
Alfred T. Sihler	Vice President	18,000
William W. Turner	Vice President	13,000
Allan M. Black	Cashier	12,500

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<u>"Name</u>	<u>Title</u>	<u>Annual Salary</u>
Paul C. Hodge	General Counsel	\$12,500
Walter A. Hopkins	Assistant Vice President	10,500
Laurence H. Jones	Assistant Vice President	9,500
Mark A. Lies	Assistant Vice President	11,000
Frank A. Lindsten	Assistant Vice President	11,000
Louis G. Meyer	Assistant Vice President	11,000
Ingolf J. Petersen	Assistant Vice President	9,000
F. L. Purrington	Assistant Vice President	10,500
H. Fred Wilson	Assistant Vice President	9,000
Walter B. Garver	Senior Economist	9,200
Walter E. Hoadley, Jr.	Senior Economist	9,400
George W. Mitchell	Senior Economist	9,000
John J. Endres	Auditor	13,000
Arthur M. Gustavson	Assistant Auditor	8,000
Orville C. Barton	Assistant Counsel	8,000
C. P. Van Zante	Chief Examiner	9,000
Edward D. Bristow	Assistant Cashier	7,000
Phil C. Carroll	Assistant Cashier	8,500
Edward A. Heath	Assistant Cashier and Assistant Secretary	9,000
Herbert H. Conklin	Assistant Cashier	7,600
Clarence T. Laibly	Assistant Cashier	9,500
Harold J. Newman	Assistant Cashier	9,500
Carl M. Saltnes	Assistant Cashier	8,500
Elmer F. Shirey	Assistant Cashier	7,000
Bruce L. Smyth	Assistant Cashier	6,800
Russel A. Swaney	Assistant Cashier	7,600
	<u>Detroit Branch</u>	
Ernest C. Harris*	Vice President	19,000
Harlan J. Chalfont	Manager	13,000
Harold L. Diehl	Cashier	9,000
Richard W. Bloomfield	Assistant Cashier	9,000
Arthur J. Wiegandt	Assistant Cashier	8,000

*Vice President Head Office assigned to Detroit Branch."

Approved, Mr. Vardaman voting "no" because he was opposed to any increase in salaries of officers of the Federal Reserve Banks at this time. Messrs. McCabe and Clayton were present when the salaries as stated in the above letter were discussed informally by the Board and stated at that time that they would vote to approve.

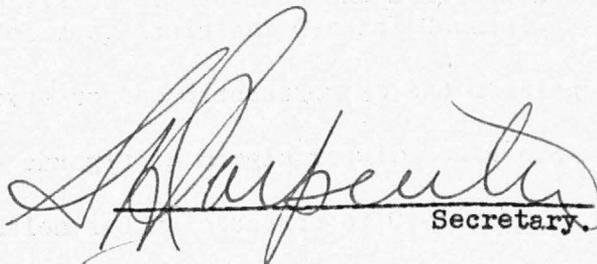
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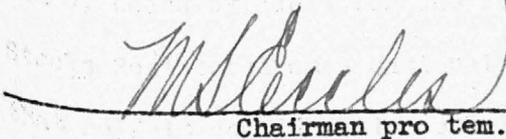
Letter to Mr. Gidney, President of the Federal Reserve Bank
of Cleveland, reading as follows:

"This will acknowledge your letter of March 14, 1949, concerning the purchase of land adjacent to the building of your Bank's Pittsburgh Branch. You state that your directors believe it would be desirable to ascertain whether the Pennsylvania Railroad would be willing to sell an additional parcel of land immediately adjacent to the 50 feet the purchase of which was authorized in the Board's telegram of March 15, 1949, and you ask for an expression of the Board's views on the proposal. The Board sees no objection to your Bank's making inquiries and obtaining a price for the adjacent frontage on Grant Street up to an additional 50 feet."

Approved unanimously.


Secretary.

Approved:


Chairman pro tem.