

Minutes of actions of the Board of Governors of the Federal Reserve System on Friday, February 3, 1950. The Board met in the Board Room at 10:40 a.m.

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

Mr. Carpenter, Secretary
 Mr. Sherman, Assistant Secretary
 Mr. Kenyon, Assistant Secretary
 Mr. Morrill, Special Adviser
 Mr. Thurston, Assistant to the Board
 Mr. Riefler, Assistant to the Chairman
 Mr. Thomas, Economic Adviser to the Board
 Mr. Leonard, Director, Division of Bank Operations
 Mr. Vest, General Counsel
 Mr. Nelson, Director, Division of Personnel
 Administration
 Mr. Young, Director, Division of Research
 and Statistics
 Mr. Baumann, Assistant General Counsel
 Mr. Wood, Economist, Division of Research
 and Statistics

There were presented telegrams to the Federal Reserve Banks of New York, Philadelphia, Chicago, St. Louis, and San Francisco stating that the Board approves the establishment without change by the Federal Reserve Bank of San Francisco on January 31, by the Federal Reserve Bank of St. Louis on February 1, and by the Federal Reserve Banks of New York, Philadelphia, and Chicago on February 2, 1950, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Reference was made to a draft of letter to Honorable Brent

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Spence, Chairman of the House Banking and Currency Committee, with respect to H. R. 6618, cited as the "Cooperative Housing Act", prepared pursuant to the discussion at the meeting on January 20, 1950. It was stated that in a letter dated December 22, 1949, the Board submitted substantially the same comments on a similar bill, S. 2246, in response to a request from the Bureau of the Budget, that the Bureau of the Budget subsequently advised the Senate Banking and Currency subcommittee that the bill was in accord with the program of the President, and that the matter was now receiving the consideration of the Senate Banking and Currency Committee but that it had not yet submitted a report. It was also stated that hearings on the bill were now in progress before the House Banking and Currency Committee and that if the Board's views were to be submitted to the House they should be sent before the hearings closed.

Chairman McCabe stated, in this connection, that Senator Robertson had indicated informally to him that he would like to have made available to the Senate Banking and Currency Committee the detailed views expressed by various Government agencies on the measure, but that he did not know whether such views would be given by the Bureau of the Budget.

Following a comment by Chairman McCabe that, in the circumstances, he questioned the advisability of sending the proposed letter to Chairman Spence, Mr. Eccles stated that the Board should not submit its

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comments to Chairman Spence unless there was a request for them. However, he felt that the matter was of general substantial importance to the Board because of its relation to the credit situation, and that it would be highly desirable for the Board's views to be made part of the record if Chairman Spence or other members of the Banking and Currency Committee indicated an interest in having them.

Chairman McCabe suggested that he call Chairman Spence and ascertain whether he would be interested in having the Board submit its views.

Thereupon, upon motion by Mr. Vardaman, the matter was referred to Chairman McCabe with the understanding that he would call Chairman Spence and discuss the matter with him in the light of the discussion at this meeting.

Mr. Wood withdrew from the meeting at this time.

Mr. Vardaman stated that in connection with consideration given recently to the Federal Reserve Bank budgets, he had noted substantial expenditures by several of the Banks for various types of publications, including employees' house organs, reports of Federal Reserve meetings, and special studies; and that he had also been disturbed by the large volume of material printed or otherwise reproduced by the Board for distribution. In that connection he expressed the view that the Federal Reserve Bulletin should be issued quarterly rather than monthly as a means of reducing its cost as well as increasing its use-

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fulness. He stated that he was approaching the matter from the standpoint of costs and he suggested that, as a means of studying the possible desirability of either reducing these costs or placing a ceiling on them, a member of the Board be appointed to look into the matter and report to the Board.

Mr. Szymczak suggested that inasmuch as one of the publications had to do with personnel, the matter be referred to the Personnel Committee.

Following a discussion, it was agreed unanimously that the Personnel Committee should look into the questions raised by Mr. Vardaman and make a recommendation to the Board.

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

Mr. Vardaman reported informally on his discussions while in St. Louis recently with respect to the selection of a Class C Director of the Federal Reserve Bank of St. Louis for the unexpired portion of the term ending December 31, 1951.

He also reported a discussion he had with Mr. Dearmont and President Davis in connection with the statement made to Mr. Dearmont while he was in Washington attending the recent conference of the Chairmen and directors of the Federal Reserve Banks, that Mr. Hitt should be informed that the Federal Reserve Bank would pay his salary until the expiration

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of his term on February 28, 1951, but that his services would not be required after March 31, 1950. Mr. Vardaman referred to the earlier discussions in which it was contemplated that an attempt would be made to find another position for Mr. Hitt so that his services to the bank could be terminated at the end of 1949. He stated that that program had not worked out, that Mr. Hitt did not have another position to go to, and that Mr. Davis felt very strongly that to terminate Mr. Hitt's active service at this time would be very detrimental to Mr. Hitt and would react adversely on the Federal Reserve Bank and the Board of Governors. Mr. Vardaman added that he was not now prepared to urge the Board to insist on Mr. Hitt's leaving the bank by April 1, 1950.

The matter was discussed and at Mr. Szymczak's suggestion was referred to the Personnel Committee for consideration and recommendation to the Board.

In the course of a discussion as to how matters of this kind should be handled and whether they should be brought before the Board for consideration before they were reported to the Personnel Committee so that the committee could consider them and make a recommendation to the Board as to the action to be taken, Mr. Vardaman moved that the Personnel Committee be abolished and that all personnel matters be brought before the Board.

The other members of the Board expressed the view that the Personnel Committee afforded an expeditious procedure for the handling of

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personnel matters. Therefore, they were not willing to approve Mr. Vardaman's motion. It was the consensus that, while any member of the Board having a question with respect to personnel was free to take the matter up directly with the Board, ordinarily such matters should be placed in the hands of the Personnel Committee for recommendation.

Mr. Vardaman then referred to the discussion at the meeting on January 10, 1950, when it was agreed that consideration would be given by the Board at the first meeting in June of this year to problems which will be presented to the Board in connection with the appointment of Presidents and First Vice Presidents at some of the Federal Reserve Banks for terms beginning March 1, 1951. He said that it would be his suggestion that the Board take these matters up at the earliest possible date so that advice of the Board's views could be transmitted to the Banks affected as promptly as possible. He made the further statement that while Mr. Neely, Chairman of the Federal Reserve Bank of Atlanta, was in Washington recently attending the meeting of Chairmen and Directors of the Federal Reserve Banks, he had, during one of the sessions, initiated an informal conversation with him (Mr. Vardaman) as to the necessity of the solution of the personnel situation at Atlanta.

After discussion, upon motion by Mr. Vardaman, the matter was referred to the Personnel Committee, with the understanding that the Committee would review the problems involved and bring the entire mat-

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ter to the Board at the earliest practicable date and in any event not later than May 2, 1950, with its recommendations as to the action to be taken or, in any particular case in which the Committee was not prepared to make a recommendation, with a statement of the problem confronting the Board.

The action stated with respect to each of the matters herein-after referred to was taken by the Board:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on February 2, 1950, were approved unanimously.

Memorandum dated February 2, 1950, from Mr. Bethea, Director of the Division of Administrative Services, recommending that the resignation of Mrs. Helen A. Bennett, a clerk in that Division, be accepted to be effective, in accordance with her request, at the close of business February 1, 1950.

Approved unanimously.

Memorandum dated February 3, 1950, from the Division of Personnel Administration and individual memoranda from the division heads concerned, recommending increases in the basic annual salaries of the following employees, effective February 5, 1950, in accordance with the policy approved by the Board on October 18, 1949, to reward employees for long and faithful service by granting longevity increases beyond the maximum scheduled rates of their grades:

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Date of Memo	Name	Title	Salary Increase	
			From	To
<u>OFFICE OF THE SECRETARY</u>				
2/3/50	Madison P. Coe	Senior Index Clerk	\$4,575	\$4,700
<u>RESEARCH AND STATISTICS</u>				
11/16/49	Margaret J. Ellis	Executive Assistant	5,750	6,000
1/31/50	Helene F. Baur	Clerk	3,850	3,975
	Louis G. Ficks	Secretary	3,850	4,225
	Helen Vincent	Clerk	3,850	3,975
<u>LEGAL DIVISION</u>				
11/25/49	Sara A. Dyer	Clerk-Stenographer	3,850	4,225
	A. M. Stone	Clerk-Stenographer	3,850	4,225
<u>ADMINISTRATIVE SERVICES</u>				
11/23/49	J. E. Lally	Deputy Disbursing Officer	4,950	5,075
	Gordon P. Johnson	Operator (Mimeograph)	2,680	2,760
11/28/49	Lynwood Trueheart	Operator (Mimeograph)	2,680	2,920
	Sidney Washington	Operator (Dup. Dev.)	2,930	3,010
<u>BANK OPERATIONS</u>				
12/5/49	Jewell B. Smith	Secretary	4,200	4,325

Approved unanimously.

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

"In accordance with the request contained in your letter of January 31, 1950, the Board approves the designation of the following as special assistant examiners for the Federal Reserve Bank of Richmond:

Earl B. Horner, Jr.
R. W. Shearer
Reece W. Thomas
E. Tyler Young

"Appropriate notations will be made in our records of the names reported as deletions."

Approved unanimously.

Letter to Mr. Young, President of the Federal Reserve Bank of Chicago, reading as follows:

"This will acknowledge receipt of Chairman Lunding's

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"telegram dated January 26, 1950, and your letter of January 27, 1950, advising of the action taken by the Board of Directors relative to the appointment of Mr. Ernest C. Harris as First Vice President of the Federal Reserve Bank of Chicago for the unexpired portion of the term ending February 28, 1951, and the appointment of Mr. Harlan J. Chalfont as Vice President assigned to the Detroit Branch, both appointments effective February 1, 1950.

"In accordance with this action, the Board of Governors approves the payment of salaries for the period February 1, 1950, through March 31, 1950, to Messrs. Harris and Chalfont in their new positions at the rates of \$25,000 and \$14,000 per annum, respectively."

Approved unanimously.

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

"Reference is made to your letter of January 20, 1950, submitting the request of 'Manufacturers and Traders Trust Company', Buffalo, New York, for the approval of the establishment of a branch in the village of Woodlawn, New York.

"In view of your recommendation the Board of Governors approves the establishment and operation of a branch in the unincorporated village of Woodlawn, Town of Hamburg, New York, by the Manufacturers and Traders Trust Company, Buffalo, New York, provided (a) the branch is established within six months of the date of this letter and (b) that formal approval is obtained from the appropriate State authorities; and with the understanding that Counsel for the Reserve Bank will review and satisfy himself as to the legality of all steps taken to establish the branch."

Approved unanimously.

Letter to Mr. Earhart, President of the Federal Reserve Bank of San Francisco, reading as follows:

"As requested in your letter of January 17, 1950, the

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"Board of Governors authorizes the preparation of preliminary plans for the alterations and improvements to the San Francisco head office banking quarters approved by your Directors and described in your letter, with the understanding, of course, that upon their completion the preliminary plans as well as estimates of cost of the various projects will be submitted to the Board for its consideration."

Approved unanimously.

Letter to the Honorable Frank Pace, Jr., Director of the Bureau of the Budget, reading as follows:

"In reply to your letter of January 23, 1950, addressed to Chairman McCabe requesting comments on a draft bill 'To provide for the furnishing of uniforms to civilian employees of the United States Government' and certain information on uniforms in so far as it applies to civilian employees of our organization, we are glad to comment and to answer the questions asked in your letter in the order stated.

- "1. Eighty-two employees are required to wear uniforms in the performance of their official duties. There is no statute which requires any employees of the Board to wear uniforms but the employees who wear uniforms do so pursuant to administrative action of the Board of Governors. Two of the above furnish their own uniforms.
- "2. (a) Current cost of initial supply of presently prescribed uniforms \$3149.66;
 (b) Annual replacement and new uniform costs \$1494.86;
 (c) Annual cost of cleaning, repair, and alteration of such uniforms \$1413.69;
 (d) Approximate unit costs for each complete type of uniform
 1. Guard \$48.79
 2. Chauffeur \$43.79
 3. Charwoman \$3.25
 4. Gardener
 - a. Summer \$7.34
 - b. Winter \$15.24

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- 5. Mechanic \$3.38
- 6. Laborer \$5.34
- 7. Elevator Operator \$22.50

"3-4-5. As stated above, there is no statute requiring employees of the Board to wear uniforms in the performance of their official duties. As you are aware, the Board's funds are not appropriated by Congress, but are derived through semiannual assessments made by the Board of Governors on the twelve Federal Reserve Banks and are administered under the provisions of Section 10 of the Federal Reserve Act as amended. Accordingly, no administrative problems are anticipated as a consequence to the enactment of this proposal."

Approved unanimously.

Letter to Mr. Davis, Chairman of the Conference of Presidents,
c/o the Federal Reserve Bank of St. Louis, reading as follows:

"The Board would like to suggest the following items for the agenda of the forthcoming Conference of Presidents:

1. As a matter of System policy, should wrapped coin service be provided free of charge by all Federal Reserve Banks to their member banks which are not in position to do the work themselves?

This question is raised in view of the fact that most of the Reserve Banks are now providing wrapped coin service to some extent. Except for one Reserve Bank that is rendering the service on a limited scale to small country banks without charge, it is understood that other Reserve Banks are in general endeavoring to obtain reimbursement for personnel and supply costs incident to the operation.

2. Additional steps which might be taken further to improve the check collection serv-

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"ice afforded by the Federal Reserve Banks, with particular reference to expediting collection and to reducing the time of deferment.

During the past few years, there have been several discussions of this general subject. It is suggested that, in the light of developments within the past year or two, further consideration be given at this time to additional steps towards this end."

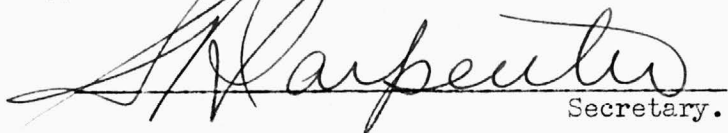
Approved unanimously.

Letter to the William A. Jump Memorial Committee, Room 103, Administration Building, United States Department of Agriculture, reading as follows:

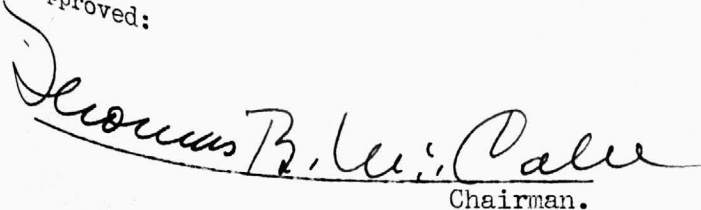
"This will acknowledge letter of January 6, 1950, addressed to Chairman McCabe by Mr. Daniel W. Bell, inviting the Board of Governors of the Federal Reserve System to select a candidate from our staff for consideration for the William A. Jump Memorial Award.

"Our staff in Washington is a small one and a large proportion thereof is engaged in specialized professional work. Taking into consideration your eligibility requirements as to age, type of work performed, et cetera, we regret that we are unable to offer for your consideration at this time a candidate for this Award."

Approved unanimously.


Secretary.

Approved:


Chairman.