

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, February 17, 1950. The Board met in the Board Room at 10:40 a.m.

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

Mr. Carpenter, Secretary
 Mr. Sherman, Assistant Secretary
 Mr. Kenyon, Assistant Secretary
 Mr. Morrill, Special Adviser
 Mr. Riefler, Assistant to the Chairman
 Mr. Thomas, Economic Adviser to the Board
 Mr. Vest, General Counsel
 Mr. Nelson, Director, Division of Personnel Administration
 Mr. Young, Director, 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 February 14, by the Federal Reserve Bank of St. Louis on February 15, and by the Federal Reserve Banks of New York, Philadelphia, and Chicago on February 16, 1950, 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 from the Personnel Committee dated February 9, 1950, suggesting that the Board consider a recommendation contained in an attached memorandum from the Division of Personnel

2/17/50

-2-

Administration dated February 3, 1950, that the Board adopt a fixed policy with respect to the employment of non-citizens which would state that one of the requirements for appointment to the Board's staff is that the applicant must be a citizen of the United States, except that in special circumstances a non-citizen could be employed on a temporary basis for a specific limited period when it was found necessary to employ a person whose knowledge and information with respect to other countries could not be obtained by the employment of a citizen. The policy would not exclude the temporary employment of exchange students or trainees from other countries. The staff memorandum stated that the recommendation was submitted in view of complications that arise in processing applications for employment of non-citizens because of policies and laws affecting such appointments in other Federal agencies, and because it was felt that in view of the attitude of Congress with respect to giving preference to veterans and career people in Government service, the Board might invite criticism if it should employ a non-citizen.

There had also been circulated an accompanying memorandum from Mr. Vest dated January 24, 1950, stating that on balance he felt that the Veterans Preference Act of 1944 would be held applicable to Board employees, in the absence of exceptional circumstances, with respect to such matters as the giving of preference of appointments of

2/17/50

-3-

personnel and in reductions of personnel, and that it would be his strong recommendation that the Board continue to follow the provisions of the Veterans Preference Act wherever it could do so as a practical matter, in order to avoid the creation of any issue with respect to its application.

Mr. Szymczak stated that Mr. Nelson had raised the question with the Personnel Committee because the Division of Research and Statistics was giving consideration to recommending the appointment of a Canadian citizen to fill a vacancy in Group S (salary range \$4600 - \$5350) and that before making a recommendation in the matter pursuant to the procedure approved by the Board on February 15, 1944, the Personnel Committee felt the broader question of policy to be followed by the Board with respect to applications from non-citizens should be considered in the light of the Veterans Preference Act and other possible questions that might be raised as to why the Board had not appointed a person from the register of those available in the Civil Service Commission instead of a non-citizen.

During the ensuing discussion, Mr. Nelson stated that Civil Service rules do not permit the appointment of non-citizens in the Government service and that he felt it would not be desirable for the Board to appoint a non-citizen to a position under circumstances in which a veteran or other citizen who had also applied for a similar position in the Board's organization might create an issue as to why their applications had been

2/17/50

-4-

rejected in favor of a non-citizen. He stated that under the Board's present policy, which was adopted prior to enactment of the Veterans Preference Act of 1944, employment of a non-citizen was possible but that any such application was to be considered by the Board on the basis of a recommendation from the Personnel Committee which would be made in the light of all the information available. Mr. Nelson also suggested that, since the Division of Personnel Administration recently had been requested to check references on several applications filed by non-citizens, he felt it would be desirable for the Board to reconsider the policy to be followed at this time and that it would be his recommendation that it adopt the policy suggested in the memorandum from the Division of Personnel Administration referred to above.

In response to a question from Chairman McCabe, Mr. Young stated that the Canadian citizen whose application had been under consideration was especially well qualified for the position and that, although he did not know whether the individual was still interested in the appointment, he felt it could be demonstrated that his qualifications were superior to those of any veterans who had applied for positions with the Board.

Mr. Vest stated that the appropriation acts for the fiscal year 1949 provided that no appropriated moneys should be used to pay salaries of aliens, except as specifically provided by law, unless the individual

2/17/50

-5-

had taken out his first citizenship papers, and that the Legal Division was looking into the 1950 appropriation acts for the purpose of ascertaining whether they carried a similar provision.

In the course of the discussion, Mr. Szymczak suggested that the Personnel Committee be requested to look into the proposed appointment of the Canadian citizen referred to above for the purpose of determining whether the circumstances were such that the Board would be warranted in appointing him in preference to other applicants.

Mr. Szymczak's suggestion was approved unanimously, with the understanding that a similar procedure would be followed in all future cases of a similar nature.

Mr. Szymczak referred to the discussion at the meeting of the Board and the Federal Advisory Council on November 15, 1949, at which the suggestion was made by the Council that the Board ask the Attorney General for an opinion as to whether approval of Congress would be required before any change could be made in the price at which gold could be purchased and sold by the Treasury. Mr. Szymczak also said that the Legal Division had prepared a memorandum on the question and that after considering the matter, it was his recommendation that the question not be raised with the Attorney General and that if it should be brought up again by members of the Federal Advisory Council, the Board state that in the circumstances the Board felt it was inadvisable to ask for such an opinion.

This suggestion was approved unanimously.

2/17/50

-6-

Mr. Szymczak then suggested that, for reasons which he stated, the Board invite the principal officers and executive directors of the International Bank for Reconstruction and Development and the International Monetary Fund to the Board's offices at some convenient time for a meeting at which the members of the Board and its staff would review for them the domestic economic situation. He stated that he had talked the matter over informally with officers of the Bank and the Fund, as well as Secretary Snyder, Chairman of the National Advisory Council, and that they felt such a procedure would be desirable. He also suggested that such meetings should not be held at stated intervals, but that one might be scheduled shortly after the meeting of the Federal Open Market Committee which presumably would be held in May 1950, at which time the Division of Research and Statistics, which would carry the load of presentation, would have an opportunity to make the necessary preparations.

There followed a discussion of Mr. Szymczak's suggestion, during which the view was expressed that if such a meeting were held, it should not be considered a precedent for subsequent meetings and that the discussion should not provide representatives of foreign banks and governments with interpretations of economic data which were not made available to the public.

Chairman McCabe suggested that Messrs. Young, Thomas, and Riefler, working in collaboration with Mr. Szymczak, study the matter and submit

2/17/50

-7-

for the Board's consideration a specific proposal as to how such a meeting could best be arranged.

This suggestion was approved unanimously.

Mr. Szymczak also suggested that in the future whenever time would permit matters of policy in which the Board might have an interest and which were to be taken by the National Advisory Council, of which the Chairman of the Board is a member, be discussed at a meeting of the Board in order that the Chairman, or his alternate, might know the views of the members of the Board before such matters are acted upon by the Council.

This suggestion was discussed and approved unanimously.

Mr. Szymczak then referred to the discussion at the meeting on February 3, 1950, of the possible appointment of Mr. Gamble of Brown Shoe Company of St. Louis as a Class C director of the Federal Reserve Bank of St. Louis, stating that the Personnel Committee had not been able to ascertain when Mr. Gamble would visit Washington for the purpose of discussing the question.

There followed a discussion of the matter, during which it was agreed that Mr. Szymczak would call Mr. Davis, President of the Federal Reserve Bank of St. Louis, on the telephone for the purpose of ascertaining when Mr. Gamble might be expected to visit Washington.

2/17/50

-8-

Mr. Szymczak referred to the discussion at the meeting on February 3, 1950, of publications of the Board and the Federal Reserve Banks and stated that the Personnel Committee was having compiled information on the matter and would expect to submit a report to the Board in the near future.

Mr. Szymczak referred to the discussion at the meeting on February 3, 1950, regarding Mr. Hitt, First Vice President of the Federal Reserve Bank of St. Louis, stating that the Personnel Committee now felt that Chairman Dearmont of the St. Louis Reserve Bank should be informed that the Board would have no objection to Mr. Hitt's completing his term of office which would expire on February 28, 1951, with the understanding, however, that he would not be reappointed for a new term.

Following a discussion, it was agreed unanimously that a draft of letter to Mr. Dearmont as outlined by Mr. Szymczak should be prepared for the consideration of the Board.

Mr. Szymczak then referred to the action of the Board at its meeting on February 3, 1950, with respect to Presidents and First Vice Presidents of Federal Reserve Banks whose terms would expire on February 28, 1951, and stated that the Personnel Committee expected to submit a report to the Board within the next few weeks.

It was understood that this matter would be put on the docket for discussion early in March.

2/17/50

-9-

At this point Messrs. Riefler, Thomas, Vest, Nelson, and Young 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 15, 1950, were approved unanimously.

Memorandum dated February 14, 1950, from Mr. Young, Director of the Division of Research and Statistics recommending increases in the basic annual salaries of the following employees in that Division, effective February 19, 1950:

| Name | Title | Salary Increase | |
|-----------------------|---|-----------------|---------|
| | | From | To |
| J. Herbert Furth | Chief, Central and Eastern European Section, Division of Research and Statistics | \$7,600 | \$8,800 |
| David L. Grove | Chief, Latin American Section, Division of Research and Statistics | 7,600 | 8,800 |
| Albert Otto Hirschman | Chief, Western European and British Commonwealth Section, Division of Research and Statistics | 7,600 | 8,800 |

Approved unanimously.

Memorandum dated February 17, 1950, from Mr. Bethea, Director of the Division of Administrative Services, recommending an increase in the basic salary of James P. Lynch, reservation clerk in that Division, from \$3,850 to \$3,950 per annum, effective February 19, 1950.

Approved unanimously.

Memoranda from the heads of the divisions indicated below, recommending appointments to the staff in those divisions, effective as of

2/17/50

-10-

the dates upon which the appointees enter upon the performance of

their duties after having passed the usual physical examination:

| Date of Memo | Name | Title | Salary | Duration of Appointment |
|--------------------------------|------------------------|------------|---------|----------------------------|
| <u>OFFICE OF THE SECRETARY</u> | | | | |
| 2/15/50 | Ella Margaret Doutrich | File Clerk | \$2,890 | Temporary (six months) |
| <u>ADMINISTRATIVE SERVICES</u> | | | | |
| 2/16/50 | Mrs. Jean W. Myers | Clerk | 2,650 | Permanent |

Approved unanimously.

Telegram dated February 16, 1950, to Mr. F. M. Browning, Ogden
Buick Sales Company, Ogden, Utah, reading as follows:

"Board of Governors of the Federal Reserve System has appointed you director of Salt Lake City Branch of Federal Reserve Bank of San Francisco for unexpired portion of term ending December 31, 1951, and will be pleased to have your acceptance by collect telegram."

Approved unanimously.

Letter to Mr. Strathy, Secretary of the Federal Reserve Bank of
Richmond, reading as follows:

"The Board of Governors approves the appointments of Messrs. J. G. Holtzclaw, Walker D. Stuart, Overton D. Dennis, John L. Whitehurst, and Ross Puette as members of the Industrial Advisory Committee for the Fifth Federal Reserve District to serve for terms of one year each, beginning March 1, 1950, in accordance with the actions taken by the Board of Directors and the Executive Committee as reported in your letter of February 14, 1950."

Approved unanimously.

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

"The Board of Governors approves the appointments of

2/17/50

-11-

"Messrs. G. A. Heuser, Jacob VanDyke, Clarence S. Franke, James Louis Crawford, and Marvin Swain as members of the Industrial Advisory Committee for the Eighth Federal Reserve District to serve for terms of one year each, beginning March 1, 1950, in accordance with the action taken by the Board of Directors as reported in your letter of February 14, 1950.

"It is noted from your letter that, after the Committee has elected its officers for the ensuing year, the Board of Governors will be advised."

Approved unanimously.

Letter to The Calcasieu-Marine National Bank of Lake Charles, Lake Charles, Louisiana, reading as follows:

"The Board of Governors has given consideration to your fiduciary application and grants you authority to act, when not in contravention of State or local law, as trustee solely in connection with an issue of first mortgage bonds of the First Baptist Church, Jennings, Louisiana, in the amount of \$50,000. The exercise of such authority shall be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

"This letter will be your authority to exercise the fiduciary power granted by the Board pending the preparation of a formal certificate covering such authorization, which will be forwarded to you in due course."

Approved unanimously, for
transmission through the Federal
Reserve Bank of Atlanta.



Secretary.

Approved:



Chairman.