

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, April 14, 1950. The Board met in the Board Room at 11:15 a.m.

PRESENT: Mr. McCabe, Chairman
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. Vest, General Counsel
Mr. Nelson, Director, Division of
Personnel Administration
Mr. Millard, Director, Division
of Examinations
Mr. Young, Director, Division of
Research and Statistics
Mr. Baumann, Assistant General Counsel
Mr. Hostrup, Assistant Director,
Division of Examinations

Chairman McCabe reported that while he was in Boston yesterday his office received a telephone call from Senator Robertson who stated that he was holding a meeting in his office at 3 o'clock this afternoon to which he was inviting representatives of the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation, and that he wanted to let Chairman McCabe know of the meeting so that someone from the Board's offices could come up for the purpose of going over a new tentative draft of bank holding company legislation. Chairman McCabe went on to say that he called Senator Robertson on the telephone this morning for the purpose of learning more about the revised bill and that Senator Robertson

4/14/50

-2-

said that it had been prepared with a view to making it short and readily understood, that it would be substituted for the bill S. 2318 prepared in the Board's offices on which hearings recently were held by Senator Robertson's subcommittee, that existing provisions of law with respect to holding companies and voting permits would remain unchanged, and that the proposed bill would cover five points substantially as follows: (1) A holding company would be defined as one which owned as much as 50 per cent of the stock of any bank, and any other bank in which the holding company owned any stock at all would be automatically considered a subsidiary. Any company classed as a holding company on some specified date, about the time of enactment of the bill, would continue to be considered as such until it ceased to own as much as 5 per cent of the outstanding stock of any one bank, and a bank holding company would not be permitted to own stock or assets of a non-banking company. (2) Authority to pass upon questions relating to holding company activities to be regulated under the law would be diffused among the three Federal bank supervisory agencies. (3) Standards to guide the three supervisory agencies in approving or permitting multiple-office banking would be provided. (4) Provisions with respect to administrative procedures and penalties designed to enforce the law now included in S. 2318 would be omitted and enforcement would be left entirely in the Department of Justice. (5) There would be

4/14/50

-3-

written into the bill a provision that no holding company could control more than 25 per cent of the banking assets of any Federal Reserve district.

Mr. Szymczak stated that he understood from a conversation with Deputy Comptroller of the Currency Robertson that he had prepared the draft of bill after consultation with representatives of bank holding company groups and Mr. Stonier, Executive Manager of the American Bankers Association.

Mr. Young withdrew from the meeting at this point.

In the course of the meeting, Chairman McCabe called Comptroller Delano on the telephone to inquire about the proposals which that office was making in connection with the legislation. In his comments, Mr. Delano stated that his office did not have a bill but that they were making suggestions, the content of which he described as virtually the same as the provisions outlined by Senator Robertson.

It was the consensus of the members of the Board who were present that the Board could not be expected to express an opinion on the proposed bill until it had had an opportunity to see the draft described by Senator Robertson. It was felt, however, that the legislation would be more restrictive in some respects than the bill proposed by the Board and undoubtedly would not be approved by the Congress.

4/14/50

-4-

Following the discussion, it was understood that Chairman McCabe and Mr. Vest would attend the meeting in Senator Robertson's office this afternoon following which they would report to the Board developments at the meeting.

Messrs. Baumann and Hostrup withdrew from the meeting at this point.

There were presented telegrams to the Federal Reserve Banks of New York, 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 April 11, and by the Federal Reserve Banks of New York, Chicago, St. Louis, Minneapolis, Kansas City, and Dallas on April 13, 1950, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

There was presented a telegram to Mr. Blair, Secretary of the Federal Reserve Bank of Cleveland, reading as follows:

"Retel April 13, Board approves effective April 17, 1950, on purchases of Government securities under resale agreement minimum rate of 1/8 per cent above average issuing rate on most recent issue of United States Treasury bills, as authorized by Federal Open Market Committee March 1, 1950. Otherwise Board approves establishment by your Bank, without change, of rates of discount and purchase in Bank's existing schedule, advice of which was contained in your telegram dated April 13."

Approved unanimously.

4/14/50

-5-

Mr. Szymczak referred to the discussion at the meeting on March 10, 1950, of proposed salaries for officers of the Federal Reserve Bank of Chicago and to the letter written to Chairman Lunding under date of March 28, 1950, concerning the action of the directors of that bank in submitting the proposed salaries for the approval of the Board. He stated that the personnel committee discussed the matter further with President Young of the Chicago Bank when he was in Washington on Wednesday of this week and with Chairman Lunding and Deputy Chairman Coleman of the Chicago Bank by telephone yesterday. As a result of these discussions, Mr. Szymczak said, the Chicago Bank had reduced the number of increases proposed for officers and the personnel committee recommended that the salaries now proposed by the directors of the Chicago Bank be approved by the Board. Mr. Szymczak also stated that, while Mr. Eccles was leaving Washington this noon to keep a speaking engagement, he had read a proposed letter to Chairman Lunding and approved the salaries as established by the Chicago directors with the changes discussed by telephone yesterday.

Thereupon, upon motion by Mr. Szymczak, the following letter to Chairman Lunding was approved unanimously.

"Reference is made to President Young's letter of February 6, 1950, and subsequent communications with respect to the salaries of the officers at the Federal Reserve Bank of Chicago and to your telephone conversation on April 13 with Governor Szymczak.

4/14/50

-6-

"The Board of Governors approves the payment of salary to Mr. C. S. Young as President at the rate of \$35,000 per annum and to Mr. E. C. Harris as First Vice President at the rate of \$25,000 per annum, provided these rates are formally fixed by the Board of Directors, for the period April 1, 1950, through February 28, 1951, the date their statutory terms of office will expire.

"The Board of Governors also approves the payment of salaries to the following officers at the rates indicated, provided these rates are formally fixed by the Board of Directors, for the period April 1, 1950, through March 31, 1951.

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
N. B. Dawes	Vice President and Secretary	\$15,000
W. R. Diercks	Vice President	14,500
J. K. Langum	Vice President	13,500
O. J. Netterstrom	Vice President	17,000
A. L. Olson	Vice President	16,500
A. T. Sihler	Vice President	18,000
W. W. Turner	Vice President	14,000
A. M. Black	Cashier	13,500
P. C. Hodge	General Counsel	13,000
W. A. Hopkins	Assistant Vice President	11,000
L. H. Jones	Assistant Vice President	10,000
M. A. Lies	Assistant Vice President	11,500
F. A. Lindsten	Assistant Vice President	11,500
L. G. Meyer	Assistant Vice President	11,000
I. G. Petersen	Assistant Vice President	10,000
F. L. Purrington	Assistant Vice President	10,500
H. F. Wilson	Assistant Vice President	9,000
*G. W. Mitchell	Senior Economist	9,000
J. J. Endres	Auditor	14,000
A. M. Gustavson	Assistant Auditor	9,000
O. C. Barton	Assistant Counsel	9,000
C. P. Van Zante	Chief Examiner	10,000

4/14/50

-7-

"E. D. Bristow	Assistant Cashier	\$7,000
P. C. Carroll	Assistant Cashier	9,000
H. H. Conklin	Assistant Cashier	8,600
E. A. Heath	Assistant Cashier and Assistant Secretary	9,500
C. T. Laibly	Assistant Cashier	10,000
H. J. Newman	Assistant Cashier	10,000
C. M. Saltnes	Assistant Cashier	9,000
E. F. Shirey	Assistant Cashier	7,500
B. L. Smyth	Assistant Cashier	7,500
R. A. Swaney	Assistant Cashier	8,500
	<u>Detroit Branch</u>	
#H. J. Chalfont	Vice President	14,000
R. W. Bloomfield	Assistant Vice President	10,000
H. L. Diehl	Cashier	9,500
A. J. Wiegandt	Assistant Cashier	8,500
*Granted leave of absence to accept appointment in cabinet of Governor Stevenson of Illinois.		
#Vice President Head Office assigned to Detroit Branch.		

"It is understood that Mr. O. J. Netterstrom will reach retirement age during 1950 and payment of his salary is accordingly approved only until the date of retirement."

Mr. Szymczak then stated that the Federal Reserve Bank of Richmond submitted a list of salaries proposed for officers of that Bank for the year beginning June 1, 1950, and he reviewed the list as discussed at a meeting of the personnel committee yesterday. It was understood that Chairman McCormick would be informally advised that if the directors fixed the salaries in accordance with the list submitted, the Board would give favorable consideration to them.

Reference was made to the letter to Chairman Neely of the Federal Reserve Bank of Atlanta dated April 6, 1950, with respect

-8-

4/14/50

to public participation by Mr. Joel B. Fort, Jr., Vice President in charge of the Nashville Branch of the Federal Reserve Bank of Atlanta, in a partisan political campaign, and to a letter dated April 12, 1950, received this morning from President McLarin transmitting a copy of a letter he had written to Mr. Fort with respect to the incident.

Mr. Morrill stated that a number of telephone calls had been received by the Chairman's office from the offices of Senators and Congressmen with respect to Mr. Fort's action and raised the question how such inquiries should be answered. Mr. Morrill also stated that he had mentioned the matter to Mr. Thurston over the telephone this morning and that Mr. Thurston stated he contemplated stopping over in Nashville on his way back from Dallas, where he has been attending a meeting of the public relations committee of the Presidents' Conference, with a view to calling upon Mr. Evans, the publisher of the Nashville Tennessean who initially brought Mr. Fort's actions to the Board's attention.

Following a discussion, it was agreed unanimously that Messrs. Morrill and Carpenter would prepare for consideration by the Board a draft of letter which could be used in answering inquiries from members of the Congress.

At this point all of the members of the staff with the exception of Messrs. Carpenter, Sherman, and Kenyon withdrew, and the action stated with respect to each of the matters hereinafter

4/14/50

-9-

referred to was taken by the Board:

Memorandum dated April 10, 1950, from Mr. Millard, Director of the Division of Examinations, recommending an increase in the basic salary of Jay W. Williams, Assistant Federal Reserve Examiner in that Division, from \$3,350 to \$3,450 per annum, effective April 16, 1950.

Approved unanimously.

Memorandum dated April 13, 1950, from Mr. Carpenter, Secretary of the Board, recommending increases in the basic annual salaries of the following employees in the Office of the Secretary, effective April 16, 1950:

<u>Name</u>	<u>Title</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
M. Elizabeth Jones	Supervisor	\$3,725	\$3,850
Adaline R. Beeson	Records Clerk	3,195	3,275

Approved unanimously.

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

"Reference is made to your letters of March 23 and April 4, 1950, submitting for approval a new salary structure for the Head Office and Helena Branch of the Federal Reserve Bank of Minneapolis under the Job Classification and Salary Administration Plan. You state that the proposed structure has been approved by the Discount Committee.

"The Board approves, effective April 1, 1950, the following minimum and maximum salaries for the respective grades at the Head Office and Helena Branch:

<u>Grade</u>	<u>Minimum Salary</u>	<u>Maximum Salary</u>
1	\$1260	\$1680
2	1380	1860

4/14/50

-10-

"3	\$1560	\$2100
4	1800	2400
5	2040	2760
6	2280	3120
7	2580	3480
8	2880	3900
9	3240	4400
10	3600	4900
11	4000	5400
12	4400	6000
13	4900	6600
14	5400	7300
15	6000	8000
16	6600	8800

"The Board approves the payment of salaries to the 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 June 30, 1950."

Approved unanimously.

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

"Board approves an extension of the expiration date to October 31, 1950 of the existing credit arrangement by your Bank with the Commonwealth Bank of Australia under the same terms and conditions outlined in our wire to you of October 7, 1949. It is understood that the amount is not to exceed \$15,000,000 in the aggregate at any one time outstanding, against gold held under earmark in your Bank. It is further understood that if any such loan or loans be made, the usual participation will be offered to the other Federal Reserve Banks. State Department notified."

Approved unanimously.

4/14/50

-11-

[Handwritten Signature]
Secretary.

Approved:

Thomas B. W. Case
Chairman.