

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, May 10, 1950.

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

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Kenyon, Assistant Secretary

Minutes of actions taken by the Board of Governors of the Federal Reserve System on May 9, 1950, were approved unanimously.

Memorandum dated May 5, 1950, from Mr. Carpenter, Secretary to the Board, recommending that Miss Anne Malia, secretary to Mr. Morrill, be transferred to the Office of the Secretary as secretary to Mr. Sherman, with an increase in her salary from \$3,825 to \$3,850 per annum, effective May 14, 1950. The memorandum also stated that Mr. Morrill was agreeable to this transfer.

Approved unanimously.

Memorandum dated May 8, 1950, from Chairman McCabe, recommending that Clarke L. Fauver, an economist in the Division of Research and Statistics, be transferred to Chairman McCabe's office as Administrative Assistant to the Chairman, a non-official position, with an increase in his salary from \$7,600 to \$8,000 per annum, effective May 14, 1950.

Approved unanimously.

Letter to Mr. Powell, Secretary of the Board, Federal Reserve Bank of Minneapolis, reading as follows:

5/10/50

-2-

"Reference is made to your letter of May 5, 1950, advising that your board of directors has relieved Mr. R. E. Towle of his official title and duties and placed him on leave of absence for the remainder of the calendar year, and that Mr. C. W. Groth was elected Vice President, assigned to the Helena Branch.

"The Board of Governors approves the payment of salary to Mr. Towle at his present rate of \$10,000 per annum for the period May 5, 1950, through December 31, 1950, during which time he will be on leave of absence.

"The Board also approves the payment of salary to Mr. C. W. Groth as Vice President, assigned to the Helena Branch, at the rate of \$8,000 per annum from May 5, 1950, through May 31, 1950. The payment of salary to Mr. Groth after May 31, 1950, will be included with those of the other officers of the Bank now under consideration."

Approved unanimously.

Letter to Mr. Leedy, President of the Federal Reserve Bank of Kansas City, reading as follows:

"Reference is made to your letter of April 29, 1950, regarding the payment of salary to a special employee to be engaged in the making of an economic survey of the Kansas City area.

"For the reasons outlined in your letter the Board of Governors approves the payment of salary to Mr. Philip Neff as a part-time employee at a rate equal to \$12,000 per annum on a full-time basis for such time as is necessary to complete the economic survey.

"It is understood that Mr. Neff will be a special and temporary employee and that approximately sixteen months will be required to complete the project on which he will be working."

Approved unanimously.

Letter to The Central National Bank of Topeka, Topeka, Kansas, reading as follows:

5/10/50

-3-

"The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers, and grants you authority to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State of Kansas, the exercise of all such rights to be subject to the provisions of the Board of Governors of the Federal Reserve System.

"This letter will be your authority to exercise the fiduciary powers 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 transmittal through the
Federal Reserve Bank of Kansas
City.

Letter to Honorable Chet Holifield, Chairman, Executive and Legislative Reorganization Subcommittee of the Committee on Expenditures in the Executive Departments, House of Representatives, Washington, D. C., reading as follows:

"This letter is in response to yours of April 14, 1950, in which you request copies of any agency orders or circulars issued by the Board of Governors to conform its internal organization and procedures to recommendations made in reports of the Commission on Organization of the Executive Branch of the Government, popularly known as the Hoover Commission. You also ask for such explanatory or supplementary statements with respect to these matters as the Board might think appropriate. While the Board has issued no such orders or circulars your Committee may be interested in the following comments.

5/10/50

-4-

"The formal recommendations of the Hoover Commission include none which deal with the Board of Governors specifically. However, the task force report on the regulatory agencies states that the Federal Reserve System performs its important and varied service functions with apparent efficiency and dispatch. It is the belief of the Board that it is now following procedures which accomplish the objectives of many of the applicable recommendations of the Commission with respect to economies and improvements that might be effected in connection with the Board's 'housekeeping' functions.

"As you know, the expenses of the Board of Governors are not paid from appropriated funds but from the proceeds of assessments levied by the Board against the Federal Reserve Banks pursuant to the provisions of section 10 of the Federal Reserve Act. Under this authority it has been possible to relate the policies of the Board with respect to publications, procurement, budgeting and accounting, personnel management, and other internal operations, to the specialized purposes for which the Board was created and to integrate them where desirable with the operations of the Federal Reserve Banks which are subject to the Board's supervision. If the Board were made subject to the procedures proposed in the Hoover Commission reports with respect to these activities, many of the benefits and savings resulting from the present specialized procedures would be lost and the work of the Board would be seriously hampered without any of the compensating benefits contemplated from the application of general procedures to large departments of the Government which do operate under appropriated funds. The expenses of the Board are primarily for salaries and the annual amount expended for supplies and nonpersonal services is relatively very small.

"The funds from which the Federal Reserve building was constructed were also derived from assessments levied against the Federal Reserve Banks and not from appropriated funds, and Congress has provided in section 10 of the Federal Reserve Act that the Board should have full control of the

5/10/50

-5-

"building and the space therein. A high standard of maintenance and utilization has been possible with a minimum of building personnel and other expenses under the direct control of the Board.

"The Board prepares an operating budget annually to insure complete control of its expenditures. This budget is given final consideration by the Board each December for the succeeding calendar year. The Board maintains its books and accounts and disburses its funds in accordance with an accounting system designed to meet the needs of the Board and a statement of the Board's income and expenses is submitted to the Congress each year in its annual report. The Board's books are also audited twice each year by an auditor from one of the Federal Reserve Banks.

"The Board is in accord with the recommendations of the Commission with respect to the statistical activities of the Federal Government and has cooperated actively through the Division of Statistical Standards of the Budget Bureau and in other ways effectively to coordinate its statistical work with the other research and statistical activities of the Government.

"Notwithstanding the fact that the total volume of the Board's records is small it has had in effect for a number of years, under a staff member with wide experience, an active policy of records administration including the microfilming and destruction of old records so that the problem of storage has been held to a minimum.

"The report on personnel management outlines desirable objectives and changes in present procedures designed to decentralize personnel administration. Under the provisions of the Federal Reserve Act, our employees are not under the classified Civil Service, and the small staff of the Board, consisting of 560 employees, has been carefully selected through the choice of persons best qualified by training and experience for the work that the Board has been called upon to perform. The Board believes that it is preferable to make selections of employees on the basis of standards prescribed in the light of the specialized skills required rather than on the basis of general specifications prescribed for employees in the large departmental services.

5/10/50

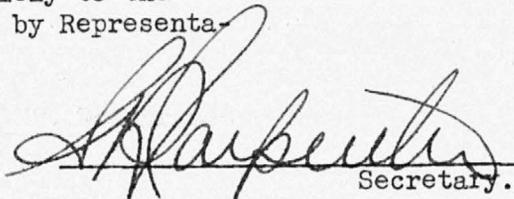
-6-

"In the discharge of its responsibilities for supervision of the Federal Reserve Banks, the Board is following with satisfactory results a plan of job evaluation and salary administration with respect to personnel similar to that proposed in the report. It has been the policy of the Federal Reserve Banks for a number of years to promote a career system which contemplates the interchange of employees between the Federal Reserve Banks and the Board.

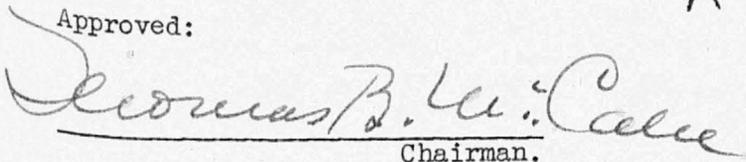
"The recommendations of the Commission on the regulatory agencies, in which the Board was grouped, includes one that in each regulatory commission all administrative responsibility be vested in the Chairman. In a letter to the Chairman of the Senate Banking and Currency Committee under date of September 23, 1949, the Board outlined reasons why it felt that rather than place greater administrative responsibility on the Chairman of the Board, he and other members should be relieved of that responsibility which should be carried by the staff, and if as a practical matter it should be necessary or desirable for the purposes of more effective internal operation to assign to the staff more of the administrative work of the Board that could be done without legislation.

"It is the hope of the Board that the above comments will be of assistance to your Committee in making the further report mentioned in your letter."

Approved unanimously, Mr. Vardaman stating, "I will not object to this letter if the majority of the Board wants to send it, but I think it is potentially dangerous and would rather see a short letter confining itself solely to the questions raised by Representative Holifield."


Secretary.

Approved:


Chairman.