

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, March 25, 1952. The Board met in executive session in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
 Mr. Szymczak
 Mr. Evans
 Mr. Vardaman
 Mr. Powell
 Mr. Mills
 Mr. Robertson

At the conclusion of the executive session the following members of the staff joined the meeting:

Mr. Carpenter, Secretary
 Mr. Allen, Director, Division of
 Personnel Administration

The Chairman informed the Secretary that the Board had voted unanimously to approve the following letter for the signature of the Chairman to Congressman Patman, Chairman of the Subcommittee on General Credit Control and Debt Management of the Joint Committee on the Economic Report:

"During the course of my testimony before your Subcommittee on March 11, 1952, I was requested by the Subcommittee to make available in executive session, for examination by the several members, certain communications from the Federal Open Market Committee and the Board of Governors to the President and to the Secretary of the Treasury with respect to questions of credit policy and Treasury financing in the winter of 1950-1951.

"We have reviewed our records and enclose the following documents which we believe to be responsive to your request:

Letter addressed to Secretary Snyder under date of July 12, 1950, by the Chairman of the Federal Open Market Committee on behalf of the Committee.

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"Letter addressed to Secretary Snyder under date of July 31, 1950, by the Chairman of the Federal Open Market Committee on behalf of the Committee. Statement for the press issued by the Board of Governors and the Federal Open Market Committee on August 18, 1950.

Letter addressed to Secretary Snyder under date of October 16, 1950, by the Chairman of the Federal Open Market Committee on behalf of the Committee.

Letter addressed to Secretary Snyder under date of October 30, 1950, by the Chairman of the Federal Open Market Committee on behalf of the Committee.

Letter addressed to Secretary Snyder under date of November 17, 1950, by the Chairman of the Federal Open Market Committee on behalf of the Committee.

Letter addressed to the President under date of December 1, 1950, by the Chairman of the Board of Governors on behalf of the Board.

Letter addressed to the President under date of December 9, 1950, by the Chairman of the Federal Open Market Committee.

Memorandum expressing the personal views of Mr. Sproul, Vice-Chairman of the Federal Open Market Committee, which was left with Secretary Snyder during a meeting which Mr. McCabe, Chairman of the Open Market Committee, and Mr. Sproul had with the Secretary on January 3, 1951.

Letter addressed to the President under date of February 7, 1951, by the Chairman of the Federal Open Market Committee on behalf of the Committee.

Letter addressed to Secretary Snyder under date of February 7, 1951, by the Chairman of the Federal Open Market Committee on behalf of the Committee.

"In the course of the hearing I expressed the view that there was a serious question of public policy involved as to whether or not documents of this kind relating to discussions which took place more than a year ago should be placed in the public record. As I stated, I am perfectly willing to have you, Mr. Chairman, or your Committee, or anyone you designate, take a look at any records we have. While I favor the fullest

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"possible disclosure of all matters affecting the public interest I still question whether it would be wise and in the public interest, looking to the future rather than to the past, to spread on the record these documents, not previously disclosed, dealing with very complex and controversial matters which since have been satisfactorily resolved.

"In addition to the letter from the Board of Governors to the President which discusses the role of fiscal, credit and monetary measures in the emergency, there are enclosed among the documents two letters addressed by the Federal Open Market Committee or its Chairman to the President which relate particularly to open market and debt management policies. In deference to his high office I feel that I must offer objection to the entering of these letters in the public record. This is especially true in the case of the letter to the President dated February 7, 1951, with respect to which assurances were given to the office of the President by a representative of the Open Market Committee that unless the President released the letter the Open Market Committee would not do so. In such circumstances, I earnestly hope that your Committee will not make these letters public.

"The enclosed documents represent all the written communications we have been able to find that fall within the scope of the Committee's request. We have not included memoranda reflecting individual recollections of the many conversations which of course took place during this period."

Secretary's note: As stated in a memorandum prepared by Mr. Vest for the files, following an executive session of the Patman Subcommittee on March 25, the above letter was read by the members of the Subcommittee present during the executive session and after a discussion Chairman Patman stated that the Subcommittee would retain the letter of transmittal. However, he returned to Chairman Martin all of the documents attached to the letter with the request that the Chairman keep them for possible future requests by the Subcommittee.

A travel authorization request dated March 24, 1952, from Mr. Thomas, Economic

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Adviser to the Board, for authority to travel on official business to Dallas, Fort Worth, and Austin, Texas, was approved unanimously.

Before this meeting there had been circulated among the members of the Board a memorandum dated March 12, 1952, from Mr. Allen relating to salaries proposed by the directors of the Federal Reserve Banks of New York, Cleveland, and Chicago for the officers of the respective Banks for the coming salary year. The memorandum recommended that, for the reasons outlined, the three Banks be requested to limit their adjustments at this time to approximately six per cent of their aggregate pay roll and that the Banks stay within the range of maximum salaries currently in effect at the respective Banks.

During a general informal discussion of the proposed salaries, Mr. Evans expressed the opinion that a statement should be prepared which would set forth the duties that the president of a Federal Reserve Bank would be expected to perform, and Chairman Martin suggested that Messrs. Evans, Powell, and Mills undertake to prepare a draft of such a statement for consideration by the Board.

At the conclusion of the discussion, it was agreed that the salaries proposed by the three Banks referred to above would be given further consideration at a meeting of the Board to be held tomorrow.

At this point Mr. Allen, withdrew, and the actions stated with

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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 March 24, 1952, were approved unanimously.

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

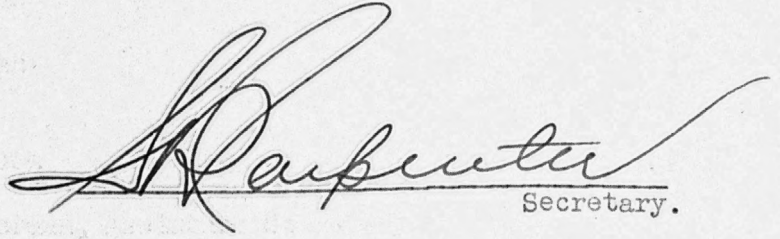
"This will acknowledge the receipt of your letter of March 17, 1952, with which you enclosed copies of correspondence from Major Clifton E. Wood, Adjutant, Headquarters, 4703rd Defense Wing, Larson Air Force Base, Moses Lake, Washington. Your letter and Major Wood's correspondence relate to the financing of a proposed major addition to a nonresidential structure in Moses Lake owned by a Mr. Goodwin. This structure is principally occupied by the Pacific Telephone and Telegraph Company and other commercial tenants. It has been represented by the owner and Major Wood that the major addition is necessary to further the enlargement of telephone facilities in this area, and Major Wood has stated that it is a project which is essential to the national defense. Under these circumstances, the owner has applied for an exemption from Regulation X under section 5(m).

"We concur in your viewpoint that the communications presented by Major Wood are not proper certifications as provided by section 5(m) and, in fact, are hardly more than informative recommendations. As you know, section 5(m) provides that nonresidential construction essential to the national defense must be so certified by the head or assistant head of an appropriate agency or department of the United States Government to be eligible for a certificate of exemption from a Federal Reserve Bank. In this case, the appropriate department would be the Department of the Air Force, The Pentagon, Washington, D. C. The certifying official should be either the Secretary of the Air Force, the Under Secretary of the Air Force, or the Assistant Secretary of the Air Force. Unless you obtain a formal certification which observes the procedure established by

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"section 5(m) of Regulation X, no exemption for the reasons given may be made."

Approved unanimously.


Secretary.