

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, July 15, 1952. The Board met in the Board Room in executive session at 10:00 a.m.

PRESENT: Mr. Martin, Chairman  
Mr. Szymczak  
Mr. Vardaman  
Mr. Mills

At 10:20 a.m. Mr. Carpenter, Secretary, was called into the meeting and was informed by the Chairman that the Board had discussed the procedure to be followed in the future with respect to the signing of the official correspondence of the Board and that it had been decided that hereafter all letters to United States Senators, members of the House of Representatives, or members of the President's Cabinet should be prepared for the signature of the Chairman or, in his absence, of the Chairman pro tem. In taking this action it was understood that these letters would be sent to the Secretary's Office in accordance with established procedures and that before they were submitted to the Chairman or to the Board for approval, they would be reviewed by Mr. Thurston.

At this point Messrs. Kenyon, Assistant Secretary; Thurston, Assistant to the Board; Vest, General Counsel; Bethea, Director, Division of Administrative Services; Allen, Director, Division of Personnel Administration; and Shay, Assistant Counsel, joined the meeting.

Reference was made to a request submitted by Mr. Bethea under date of July 15 for authority to travel to Cleveland, Ohio, on July 16 and 17 to meet with Mr. Laning, Chairman of the Presidents' Conference

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Subcommittee on Cash, Leased Wire and Sundry Operations, and representatives of the American Telephone and Telegraph Company for the purpose of discussing questions which had arisen in connection with the proposed substitution of an automatic teletypewriter network in lieu of existing leased wire facilities.

In response to a question by Governor Vardaman as to whether the nature of the discussion to be held in Cleveland would make it desirable that Mr. Bethea be accompanied by a technician, Mr. Bethea stated that although the employees of the telegraph room were familiar with the operating details of the leased wire system, they were not informed on the policy matters which were to be discussed in Cleveland and that there were no other staff members whose presence would seem to be required. It was brought out that Mr. Bethea had acted as the representative of the Board in the discussions with the American Telephone and Telegraph Company and the Reserve Banks leading up to the contemplated change-over of facilities and that he was therefore the person technically qualified to handle this matter on behalf of the Board.

Thereupon, Mr. Bethea's travel to Cleveland was approved by unanimous vote.

Before this meeting there had been sent to the members of the Board copies of a memorandum dated July 14, 1952, from Mr. Shay regarding a proposed revision of the Procedures for Administration of the Employees

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Loyalty Program of the Board of Governors. The memorandum stated that the Loyalty Procedures of the Board of Governors were first issued following the establishment of the Government employee loyalty program pursuant to Executive Order No. 9835 of March 21, 1947, that the Procedures were last revised on September 23, 1948, and that since the latter date, the standard test for loyalty had been modified by Executive Order No. 10241 and the basic regulations and directives issued pursuant to the Executive Orders by the Loyalty Review Board of the Civil Service Commission for the guidance of the various departments and agencies of the Government had been revised to incorporate the new standard and in various other, but relatively minor, respects. To the memorandum was attached a copy of a proposed revision of the Procedures reflecting changes suggested by the Loyalty Review Board and discussed by representatives of the Board of Governors with the Chief of the Regulations and Advisory Section of that Board.

During a discussion of the proposed revision of the Procedures, question was raised as to whether the language of section 4(a) was intended to indicate that full field investigations of all applicants for positions with the Board of Governors were to be conducted by the Federal Bureau of Investigation. Following a statement by Mr. Allen that it was intended that such investigations would be conducted only when requested

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by the Board's Division of Personnel Administration, it was understood that the language of section 4(a) would be revised so as to make that clear.

In response to an inquiry by Chairman Martin as to the distinction between the new standard test for loyalty contained in section 1(a), which would provide "that, on all the evidence, there is a reasonable doubt as to the loyalty of the person involved to the Government of the United States", and the previous standard, which provided "that, on all the evidence, reasonable grounds exist for belief that the person involved is disloyal to the Government of the United States", Mr. Vest said that proof could be somewhat more easily established under the new standard and that the shade of difference in the language therefore served to make the policy of the Government a little tighter in cases where the person involved was suspected of being disloyal.

Thereupon, the following letter for the signature of the Chairman to the Honorable Hiram Bingham, Chairman, Loyalty Review Board, Civil Service Commission, Washington, D. C., was approved unanimously, with the understanding that if the Loyalty Review Board advised that it approved the proposed amendments, the revised Procedures would be considered as having been approved by the Board of Governors:

"There is on file with the Loyalty Review Board a copy of the Procedures for Administration of Employees Loyalty Program issued by the Board of Governors of the Federal Reserve System and dated September 23, 1948.



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"Enclosed herewith is a copy of a proposed revision of such Procedures.

"The revision reflects the suggested amendments submitted with the letter from Mr. L. V. Meloy, dated April 10, 1952, and certain other changes discussed more recently with your staff.

"This Board will delay the issuance of the revision of its Procedures pending receipt of advice in respect thereof from the Loyalty Review Board. Your assistance in this regard will be appreciated."

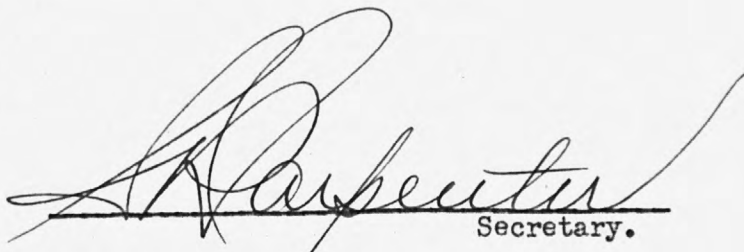
At this point all of the members of the staff with the exception of Messrs. Carpenter and Kenyon withdrew, and the action stated with respect to each of the matters hereinafter referred to was taken by the Board:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on July 14, 1952, were approved unanimously.

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

"Referring your July 7 letter, Board will interpose no objection to expenditure of approximately \$12,000 for installation of Levelator and certain alterations in sub-basement of Los Angeles Branch building."

Approved unanimously.

  
Secretary.