

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, November 19, 1952. The Board met in the Board Room at 10:00 a.m.

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

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Kenyon, Assistant Secretary
Mr. Thurston, Assistant to the Board
Mr. Riefler, Assistant to the Chairman
Mr. Vest, General Counsel
Mr. Leonard, Director, Division of Bank Operations
Mr. Young, Director, Division of Research and Statistics
Mr. Allen, Director, Division of Personnel Administration
Mr. Myrick, Assistant Director, Division of Bank Operations
Mr. Noyes, Assistant Director, Division of Research and Statistics
Mr. Farrell, Chief, Reserve Bank Budget and Expense Section, Division of Bank Operations
Mr. Massey, Technical Assistant, Division of Bank Operations

There was presented a memorandum dated November 6, 1952, from Mr. Allen recommending that the Division of Personnel Administration be authorized to make arrangements with the American Cancer Society to show a film to all women employees of the Board during regular working hours, the time required for the showing of the film and an accompanying lecture

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by a representative of the Society being about 45 minutes. The memorandum also recommended that an invitation to attend a showing of the film be extended to wives of members of the Board's staff.

Approved unanimously.

Further consideration was given to the budgets of the Federal Reserve Banks for the year 1953. During the discussion, reference was made by members of the Board to an item of \$14,000 in the budget of the Federal Reserve Bank of Chicago covering expenses in connection with the ceremonies incident to the formal opening of the new Detroit Branch building and to an item of \$6,700 in the budget of the Federal Reserve Bank of Cleveland for directors' expenses other than fees, subsistence, and traveling expenses. In connection with his comment, Governor Robertson suggested that the Federal Reserve Banks be informed that the Board approved the budgets as operating guides, that this approval should not be construed to indicate approval of specific expenditures, that the Federal Reserve Banks should curtail expenses to the fullest extent possible, and that the Board had instructed its examiners to call attention to any expenditure that appeared to be unreasonable.

With regard to the item relating to the opening of the Detroit Branch building, Mr. Leonard reported a recent conversation with Mr. Harris, First Vice President of the Chicago Reserve Bank, at which time Mr. Harris described the program being planned in that connection. Mr. Leonard said

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that he thought the figure of \$14,000 probably represented a preliminary estimate which would be adjusted as the plans became more definite. He suggested, however, that the Board might wish to raise a question with regard to this item in a letter to the Reserve Bank and suggest that an appropriate program might be arranged at a lower cost.

Following discussion, it was agreed that the attention of the Reserve Bank should be drawn to the size of the item.

With regard to the item in the budget of the Federal Reserve Bank of Cleveland relating to directors' expenses, Mr. Leonard said he assumed it was intended to cover such things as entertainment at joint meetings of the head office and branch directors and expenses of outside speakers. He thought that the Board might wish to express to the Chairmen and Presidents of the Reserve Banks at the time of their conferences its concern about expenditures of this type and urge that careful consideration be given to them.

Governor Robertson then referred to an item of \$25,419 in the budget of the Federal Reserve Bank of New York for meetings, conferences, etc., including \$7,000 for dinners for the New York and New Jersey State bankers' associations, and stated that this raised in his mind the question whether such expenditures were justifiable from the standpoint of the benefits derived by the Reserve Bank and the System.

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There followed a general discussion of expenditures for the bank and public relations programs at the Reserve Banks and the objectives which should be established for such programs. During the discussion, Governor Mills inquired as to what guides were followed in allocating expenses between the research and statistical function and the bank and public relations function, and Mr. Leonard replied that in general the research function was charged with expenses involved in the development of information while the bank and public relations function was charged with expenses involved in making such information available, but that it was very difficult to establish precise definitions which would be uniformly interpreted by the Reserve Banks.

Governor Mills then suggested that advices to the Federal Reserve Banks regarding action by the Board on the 1953 budgets be deferred until after the forthcoming Chairmen's Conference, with the thought that at the Conference there could be a discussion with the Chairmen of the procedures followed in the handling of the budgets at the Reserve Banks and the Board and of the principles which should be kept in mind by the Reserve Bank directors in approving the budgets of their respective Banks.

It was also suggested that, in a discussion at the Chairmen's Conference, reference could be made, without referring to any Reserve Bank specifically, to such items as the proposed expenditures for dinners and

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entertainment at the New York Bank, that it could be brought out that it was difficult for the Board to judge the extent to which such expenditures were worth-while, and that it might be stated that the total 1953 budget for the bank and public relations function was more than five times as large as the expenditures for that function in 1941 and that it was the responsibility of the Reserve Bank directors, in approving the budgets of their Banks, to determine whether such expenditures were justified.

At the conclusion of the discussion, there was agreement with Chairman Martin's suggestion that the budgets be approved, that letters to the Federal Reserve Banks along the lines suggested at this meeting be prepared, and that the matter be discussed at the Chairmen's Conference before the transmission of the letters.

It was also unanimously agreed that in accordance with the understanding at the meeting on November 17, 1952, a program would be worked out which would provide for periodical review of the operations and expenses of the Federal Reserve Banks at meetings of the Board.

Chairman Martin then referred to the draft of report concerning Federal Reserve Bank budgets and expenditures which had been submitted by the special committee headed by Mr. Coleman, Deputy Chairman of the Federal Reserve Bank of Chicago, and suggested that it be referred to Governor Mills with the request that he review the report and make a recommendation to the Board as to what action should be taken with respect to it.

Approved unanimously.

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Chairman Martin also referred to the suggestion that the budgets of the Board and the Reserve Banks might be submitted to the Congress, either by inclusion in the Board's Annual Report or in some other way. He suggested that the matter be referred to Mr. Thurston with the request that he consider and submit a recommendation on whether the submission of the budgets would be desirable and, if so, the method by which that might be done.

Approved unanimously.

At this point all of the members of the staff except Messrs. Carpenter, Sherman, and Kenyon withdrew and the following additional actions were taken by the Board:

Minutes of the meeting of the Board of Governors of the Federal Reserve System with the Federal Advisory Council held on November 18, 1952, were approved unanimously.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on November 18, 1952, were approved unanimously.

Letter to the Presidents of all Federal Reserve Banks, reading as follows:

"At the Joint Meeting of the Presidents and the Board on September 26 it was stated that 'The Presidents were not ready to support the introduction at this time of legislation to permit a Federal Reserve Bank to pay out notes of other Federal Reserve Banks.'

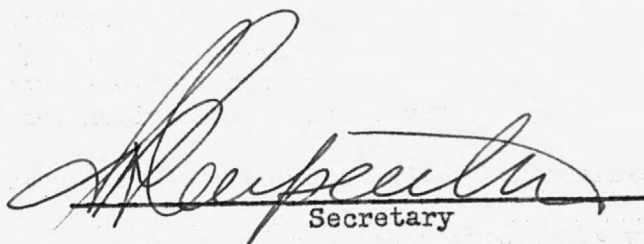
"The Board would like to have an expression of the views of the Presidents as to the reasons why such legislation would not be desirable. The Board would also appreciate

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"any suggestions the Presidents may have to offer as to how any difficulties they foresee in such a program might be overcome.

"It is hoped that the Presidents will be prepared to discuss this matter with the Board at the time of the Conference of Presidents to be held next month."

Approved unanimously.


Secretary