Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, February 15, 1954. 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

Reference was made to the meeting of the Board with the Federal Advisory Council tomorrow, and Governor Mills raised the question whether it would be advisable to ask the members of the Council for any views they might wish to express with respect to the recent report of the Commission on Foreign Economic Policy (the Randall Commission).

It was agreed that if the question should come up, there might be some discussion of that portion of the report dealing with currency convertibility.

Chairman Martin said that on Saturday, February 13, he had a further telephone conversation with Mr. Parten, Chairman of the Federal Reserve Bank of Dallas, regarding the management situation at the Bank, the conversation being in the light of the Board's action on February 12 approving the appointment of Mr. Irons as President of the Bank. Chairman Parten had informed Mr. Irons of his appointment and, after a review of the situation, it was Mr. Irons' suggestion that Mr. Gentry be continued as First Vice President, at least for the time being, and that, subject
to approval by the Board of Governors, his salary be increased to $21,000 per annum.

After a discussion, during which Governor Vardaman stated reasons why he questioned the desirability of such an increase in salary for Mr. Gentry but indicated that he would concur in the adjustment if that were the consensus of the other members of the Board, the view was expressed that in all the circumstances, if the directors of the Dallas Bank felt that Mr. Gentry's salary should be increased by a reasonable amount, the increase should be approved by the Board.

At the conclusion of the discussion, Chairman Martin was authorized by unanimous vote to inform Chairman Parten by telephone that the Board approved a salary at the rate of $21,000 per annum for Mr. Gentry, if fixed by the directors of the Bank at that rate, for the period February 15 to December 31, 1954, inclusive.

Secretary's Note: Pursuant to the above action, Chairman Martin called Chairman Parten on the telephone following the meeting and advised him of the Board's views. On February 16, the Board received a telegram from Chairman Parten confirming that effective February 15, 1954, the board of directors of the Federal Reserve Bank of Dallas appointed Mr. Irons as President, with salary at the rate of $25,000 per annum, and approved a salary for Mr. Gentry as First Vice President at the rate of $21,000 per annum. In accordance
with the actions taken at the meet-
ing of the Board on February 12,
1954, and at this meeting, the follow-
ing telegram was sent to Chairman
Parten on February 16:

Your wire February 16. Board of Governors has ap-
proved appointment of Watrous H. Irons as President of
Federal Reserve Bank of Dallas effective February 15 for
the remaining portion of the five-year term ending Febru-
ary 29, 1956. Board of Governors also approves for
period February 15 to December 31, 1954, inclusive, sala-
ry for Mr. Irons as President and salary for Mr. Gentry
as First Vice President at rates fixed by your directors
as stated in your wire.

There was presented a request from Mr. Bethea, Director, Divi-
sion of Administrative Services, for authority to travel to Wilmington,
Delaware, on February 16, 1954, to attend a meeting arranged under the
auspices of the Communications Managers Association to bring together
representatives of users of the American Telegraph and Telephone Company
Plan 81 leased wire networks for the purpose of discussing mutual problems.

Approved unanimously.

Governor Mills referred to a letter which Mr. Young, Director,
Division of Research and Statistics, had received under date of February
5, 1954, from Mr. Harlan V. Hadley, Chairman of the Spring Conference
Committee of the American Trade Association Executives, inviting Mr.
Young to participate in a panel discussion on March 19, 1954, at the
Group's Annual Washington Conference. Participants in the panel would
be asked to summarize briefly their views on the general subject, "Where
We Are and Where We Are Headed Economically", and then would deal with questions arising within the panel and answer questions coming from the floor of the Conference.

Mr. Young was authorized by unanimous vote to accept the invitation to participate in the panel discussion.

Governor Mills also referred to a memorandum dated February 10, 1954, from Mr. Garfield, Adviser on Economic Research, Division of Research and Statistics, regarding an invitation that Mr. Garfield had received to address the Forecasters Club at its annual forecasting meeting, to be held in New York City on Friday, April 30, 1954.

Mr. Garfield was authorized by unanimous vote to accept the invitation.

Referring further to the meeting of the Board with the Federal Advisory Council tomorrow, Governor Robertson stated that before the Council met again, the Board probably would be called upon to express its views with respect to certain proposed legislation, including amendments to the existing housing legislation and an amendment to the National Bank Act which would permit the Comptroller of the Currency to make only one examination of national banks each year. In the circumstances, he raised the question whether the Board would wish to discuss these matters at tomorrow's meeting with the Council.

After discussion, it was the consensus that if the matter should come up, the Board might say that if the members of the Council had any
views with respect to pending legislation, the Board would be glad to have them.

At this point the following members of the staff entered the room:

Mr. Sherman, Assistant Secretary
Mr. Kenyon, Assistant Secretary
Mr. Riefler, Assistant to the Chairman
Mr. Thomas, Economic Adviser to the Board
Mr. Vest, General Counsel
Mr. Marget, Director, Division of International Finance
Mr. Dembitz, Assistant Director, Division of International Finance
Mr. Tamagna, Chief, Financial Operations and Policy Section, Division of International Finance
Mr. Furth, Chief, Western European and British Commonwealth Section, Division of International Finance

At the request of the Chairman, Mr. Marget made a statement in which he said that British Government officials returning from the Commonwealth Finance Ministers' Conference in Australia had advised United States Government representatives of the British Government's intention to reopen the London gold market, their reason for bringing the matter up in this way apparently being to put the United States Government on notice so that it might be prepared to take whatever steps seemed advisable in this country when the proposal was carried into effect. Mr. Marget said that the reopening of the London gold market would permit international transactions in gold but would not permit residents of the sterling area to buy gold, except for industrial purposes, and that the principal reason given by the British for taking
this step was that there were people in London who were trained in the business and commissions were to be earned from such transactions. He assumed that an additional reason, not stated by the British, was that any decision by the United Kingdom to return to convertibility on current account would probably involve a fluctuating exchange rate. This would mean that the British authorities would have to be prepared to operate in the market to prevent extreme fluctuations in the exchange rate and, should they have to intervene in the market, they might prefer to be able to operate in gold as well as dollars.

Mr. Marget went on to say that at a meeting at the Treasury Department which was called to discuss the matter, reference was made to several alternatives available to the United States Government, as follows: (1) it could be decided to make no change in the existing regulations with respect to gold; (2) United States gold producers might be permitted to sell gold in London or any foreign market if the price made it advantageous for them to do so; (3) there could be established, as proposed in a bill introduced recently by Senator McCarran of Nevada, a free domestic gold market, in which the price would be free to fluctuate; (4) in connection with such a domestic market, arrangements could be made whereby the Government would intervene in the event of a premium on gold so as to keep the market price equal to the mint price, thus in effect providing for redeemability of currency in gold bullion; or (5)
gold coin redeemability might be restored, as provided in a bill recently introduced by Senator Bridges of New Hampshire. He added that the majority of those who attended the meeting at the Treasury appeared to favor proceeding as far as the second alternative but no further. It was made clear, however, that the Treasury as of that time had not decided what position it would take on the bill introduced by Senator Bridges and that any Treasury decision on the matter under discussion would have to be related to the Department's position with regard to the Bridges bill.

Mr. Marget went on to say that some feeling was expressed that any change in United States gold policy incident to the proposal to reopen the London gold market should be announced promptly, and in any event without delay after the British had announced the reopening of the market.

In response to an inquiry by Chairman Martin, Mr. Marget said that the proposed British action would not appear to affect the Board except in so far as it was related to any views which the Board might be called upon to express in regard to the restoration of gold coin redeemability and as to steps that should be taken in this country in the light of the reopening of the London market.

Following a discussion of the matter, it was agreed that no action on the part of the Board was called for at this time but that the matter should continue to be studied.
In accordance with the understanding at the meeting on January 26, 1954, Mr. Marget had sent to the members of the Board, with a cover- 
ing memorandum dated February 11, copies of three papers prepared by the staff in the light of comments in the report of the Commission on Foreign Economic Policy (the Randall Commission) regarding "the possibilities of stand-by credits or line of credit arrangements" in connection with "attainment of general convertibility" and the reference in the report to the "precedent for such arrangements in the inter-war period". The first memorandum, dated February 8, was entitled "Current Applicability of Some Aspects of the 1925 British Stabilization Credit". The second memorandum, dated February 4 and prepared in the Legal Division, was entitled "Legal Aspects of International Stabilization Credits by Federal Reserve"; and the third memorandum, dated February 11, was entitled "The Minority Report of the Randall Commission on Experience with Stabilization Credits".

Chairman Martin said that Mr. Hauge, of the White House staff, was collecting preliminary views from interested agencies of the Government concerning the Randall Commission report, and that, if agreeable to the other members of the Board, he proposed to transmit copies of the memoranda to Mr. Hauge, with a covering letter which would make it clear that these were staff papers, that the Board had not taken a definite position, and that the Board would continue to study the problems presented by the report. In this way, he felt, there would be an indication of cooperation on the part of the Board without freezing the Board into a
fixed position.

Following a discussion, the procedure proposed by Chairman Martin was approved unanimously.

The meeting then adjourned. During the day the following additional actions were taken by the Board with all of the members present:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on February 12, 1954, were approved unanimously.

Memorandum dated February 8, 1954, from Mr. Allen, Director, Division of Personnel Administration, reading as follows:

In September, 1953, the Board approved certain changes in its leave regulations including a provision limiting the amount of annual leave that may be carried forward from year to year. At the same time, however, the Board indicated that special consideration would be given to cases in which it was not feasible for employees to use all of the excess annual leave earned during 1953 in order that such leave might be carried into 1954.

A review at the end of 1953 shows a total excess of approximately 176 days in the leave accounts of 61 employees. These excesses vary from one hour to slightly more than 13 days, and 25 employees (approximately 41 per cent) have excesses of less than one day. In only two instances does the excess exceed 10 days.

It is recommended that the 61 employees involved be permitted to carry forward to 1954 the annual leave which they earned during 1953 but which they did not take, with the understanding that such annual leave, together with any annual leave earned during 1954, will be used during the current calendar year.

Approved unanimously.

[Signature]

Secretary