Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, March 3, 1954. The Board met in the Board Room at 2:00 p.m.

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

Mr. Carpenter, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Leonard, Director, Division of Bank Operations
Mr. Vest, General Counsel

Before this meeting there had been submitted by the Conference of Presidents of the Federal Reserve Banks a memorandum covering topics to be discussed at the joint meeting of the Board and the Presidents to be held later this afternoon.

Reference was made to the statement in the memorandum that the Conference continued to favor the amendment of section 16 of the Federal Reserve Act to permit, but not require, the recirculation of fit Federal Reserve notes of other Reserve Banks.

This matter had been the subject of recent informal discussions by the Board, and at this meeting it was agreed that the Board would say at the meeting with the Presidents that the Board favored repeal of the provisions of section 16 of the Federal Reserve Act which prohibit one Federal Reserve Bank from paying out Federal Reserve notes issued by another Reserve Bank and that the Board would submit an appropriate legislative proposal to the Congress. In this connection, unanimous approval was given to a letter in the following form to
Senator Capehart, Chairman of the Committee on Banking and Currency, with the understanding that before the letter was transmitted, the Board, in accordance with the usual practice, would send a copy to the Bureau of the Budget and request advice as to whether there was any objection to the submission of this proposed legislation:

The Board of Governors of the Federal Reserve System respectfully recommends the repeal of those provisions of the third paragraph of section 16 of the Federal Reserve Act (12 U.S.C. 413) which prohibit a Federal Reserve Bank from paying out Federal Reserve notes issued by another Federal Reserve Bank. For the consideration of your Committee, there is enclosed a draft of a bill which would accomplish this purpose.

The provisions in question were enacted as a part of the original Federal Reserve Act (and amended in 1917) for purposes which are briefly described in the enclosed memorandum. Experience over the years, however, has shown that these requirements do not contribute to the accomplishment of the objectives for which they were intended, and that they serve no useful purpose.

The cost of sorting "fit" Federal Reserve notes according to the banks of issue and of shipping such notes from one Reserve Bank to another is estimated to exceed $750,000 a year. The repeal of the provisions in question would eliminate this valueless expenditure.

A similar letter is being sent to the Chairman of the Committee on Banking and Currency of the House of Representatives.

There was a discussion of the other topics covered in the memorandum submitted by the Presidents and it was agreed that the views of the Board regarding them would be stated substantially as recorded in the minutes of the joint meeting.

Chairman Martin referred to Bill H.R. 7602, introduced by Representative Patman of Texas, which would direct the Comptroller General to
make an audit for the year ending December 31, 1953, of the Board of Governors, the Federal Open Market Committee, and the Federal Reserve Banks and their branches. The bill had been referred to the Committee on Government Operations and Chairman Martin reported that advice had just been received that the Committee would hold hearings on the bill in about two weeks. He suggested that this matter also be discussed with the Presidents at the joint meeting today.

There was agreement with Chairman Martin's suggestion.

Governor Mills referred to the study being made by an ad hoc subcommittee of the Presidents' Conference of that phase of the Coleman Committee report which proposed a review of accounting procedures of the Federal Reserve Banks with respect to personnel, research and bank and public relations functions. He recalled that the subcommittee had met in Boston in January and said that, according to statements by members of the Board's staff on the subcommittee who attended the meeting, some constructive suggestions had been made. It was his feeling that the subcommittee's recommendations should be discussed and acted upon as soon as they became available.

Mr. Leonard stated that the subcommittee was meeting again today and that he understood it expected to have its report ready within a short time.

The meeting then adjourned. During the day the following additional actions were taken by the Board with all of the members except Governor Wardaman present:
Minutes of actions taken by the Board of Governors of the Federal Reserve System on March 2, 1954, were approved unanimously.

Letter to Mr. Austin, Vice President, Federal Reserve Bank of Dallas, reading as follows:

With reference to your letter of February 16, the Board of Governors approves the payment of salary to Mr. C. C. Taylor at the rate of $4,323.52 for a period of six months. It is understood that this salary rate exceeds the maximum of Mr. Taylor's grade by approximately $900.

The Board has limited the payment of salary to Mr. Taylor for a period of six months in the hope that during that time it will be possible for you to place him in a position the responsibilities of which are commensurate with the salary he is receiving. This action reflects the belief that it is desirable to adhere as closely as possible to the basic philosophy of the salary administration plan that individuals are paid in accordance with the responsibility and difficulty of the job which they perform. It is recognized, of course, that this principle can not be followed without deviation because extenuating circumstances may, on occasion, warrant the payment of a salary at a higher level than is otherwise justified. If at the conclusion of the six months' period you have not been able to place Mr. Taylor in a higher grade, the Board will, of course, be happy to consider an extension at his present rate.

Approved unanimously.

Letter to Mr. Gentry, First Vice President, Federal Reserve Bank of Dallas, reading as follows:

Thank you for your letter of February 16, stating that your Bank has undertaken a study of the need for changes in existing boundary lines of the Eleventh Federal Reserve District.

It is noted that, upon appraisal of the facts, a committee of senior officers concluded that no changes are necessary for your district at this time.

Approved unanimously.