

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, February 6, 1951. The Board met in the Board Room at 9:35 a.m.

PRESENT: Mr. McCabe, Chairman
Mr. Eccles
Mr. Szymczak
Mr. Evans
Mr. Norton
Mr. Powell

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Thurston, Assistant to the Board
Mr. Riefler, Assistant to the Chairman

Mr. Powell stated that yesterday afternoon he received a request from Mr. Vardaman that, in accordance with the procedure adopted by the Board on March 21, 1947, he authorize the official mailing of 250 copies of a statement prepared by Mr. Vardaman and released by him for publication in the morning papers on February 6, 1951, and that he returned the request with a memorandum stating that since the statement contained the names and views of individual members of the Board he could not take the responsibility for authorizing official mailing of the 250 copies as requested, and suggested that the matter be considered, if Mr. Vardaman so desired, by the full Board in executive session. Mr. Powell went on to say that Mr. Vardaman immediately called him on the telephone and stated that, unless he (Mr. Powell) wished to assume the responsibility for throttling another member of the Board in the expression of his views, he would like to have a meeting of the Board to consider the matter. Mr. Powell added that Mr. Vardaman later

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informed him he would not attend the meeting since the other members of the Board might feel freer to discuss his request if he were not present.

During the ensuing discussion, Mr. Norton raised the question whether the proposed distribution was different from that customarily authorized for statements of Board members, and it was pointed out that under existing established procedure distribution of speeches of Board members frequently was authorized at Board expense, but that Mr. Vardaman's statement purported to present the views of an individual member of the Federal Open Market Committee expressed at an executive session of the Federal Open Market Committee, that it cast a personal reflection on the Chairman, and that if the Board approved its distribution at Board expense such action might be interpreted as approval by the Board of the content of the statement.

Thereupon, upon motion by Mr. Powell, his action in not authorizing distribution of Mr. Vardaman's statement at Board expense was approved unanimously.

Mr. Vardaman joined the meeting at this point and in response to a question from him, Chairman McCabe stated that the Board had voted unanimously not to authorize the distribution of the statement prepared by Mr. Vardaman.

Chairman McCabe then referred to the sentence in Mr. Vardaman's press statement which followed quotation of the statement presented by

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Mr. Vardaman at the meeting of the Board on January 30, which sentence read, "The Board and the Committee refused to consider the issuance of any such statement in spite of the fact that it was generally thought that Chairman McCabe had given President Truman every reason to believe that the Committee and Board would support the Government financing program." Chairman McCabe stated that he could not recall that anybody was critical of his conduct of the meeting with the President when the Committee met in executive session immediately following the call at the White House, and he asked whether any of the members of the Board recalled any discussion in the executive session of his having misled the President. None of the members of the Board felt there was such a discussion, and Mr. Vardaman stated that he was not accusing anyone of having misled the President.

Chairman McCabe then asked Mr. Vardaman about an article which appeared in The Washington Evening Star on Monday, February 5, 1951, by Doris Fleeson, which purported to disclose portions of the discussion at the executive session of the Federal Open Market Committee on January 31, 1951.

Mr. Vardaman stated that he did not know how Doris Fleeson got her statement, that she had called him on the telephone about 10 or 11 p.m. Sunday, February 4, 1951, that she then discussed with him what she was going to write, that he suggested that she call Mr. Thurston

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or some member of the Board, and that she might have gotten her information from them. He also said that Miss Fleeson had contacts in other cities such as Chicago and Atlanta and might have gotten her information from persons outside of Washington. Mr. Vardaman added that he wished the minutes to show his statement that he did not give Doris Fleeson the information which appeared in her article.

Mr. Evans stated that he also would like to have the minutes show that he did not believe Mr. Vardaman's statement.

Mr. Szymczak stated that Miss Fleeson had previously published articles containing information which she could have gotten only from a member of the Board.

Subsequently, at a meeting of the Federal Open Market Committee Mr. Norton stated that, as a matter of record, he wanted to report (a) that he talked to Doris Fleeson, (b) that they went to church, (c) that she is a most charming girl, and (d) that he hoped to see her again sometime. He also said that he did not mention the names of persons who were at the executive session of the Open Market Committee and that she did not mention any names of individuals present or votes cast at that session.

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In response to a question from Chairman McCabe as to Mr. Vardaman's objective in issuing a statement such as he had given out which contained an attack on the Chairman of the Board and the Federal Open Market Committee, Mr. Vardaman stated that when the Board or the Committee did things of which he did not approve he intended to make his position clear, and that in the case of the meeting with the President on January 31, he felt the conduct of the members of the Board was indefensible, and that he had stated at the executive session following that meeting that he felt it was tragic that the President had been allowed to leave the meeting with the impression he had.

Mr. Szymczak stated that while he could not read the President's mind, he recalled very clearly that when the President had finished his statement to the Committee Chairman McCabe stated that there would of course be differences of opinion as to how to protect the Government's credit, that the Committee would consult with the Secretary of the Treasury giving him its views and presenting its point of view very strongly, and that if an agreement could not be reached Chairman McCabe would like to discuss the matter with the President which procedure the President indicated would be satis-

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factory. Mr. Szymczak went on to say that he did not believe that the President had dictated the letter sent to Chairman McCabe on February 1 stating his (the President's) understanding of the conclusions reached at the meeting with the Committee, and that he felt the President had signed a letter prepared by someone else who was not at the meeting and did not have all the facts.

Mr. Vardaman stated that he was not interested in that, that he did not intend to discuss the veracity of the President. He also said that he had not checked his release with either the White House or Secretary Snyder, that on Monday morning, February 5, he called Mr. Short, Press Secretary to the President, and read him the statement, that Mr. Short suggested he hold it up, and that he (Mr. Vardaman) responded that he could not because he had already given it out.

At this point Messrs. Thurston and Riefler 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 Monday, February 5, 1951, were approved unanimously.

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Memorandum dated January 24, 1951, from Mr. Sloan, Assistant Director of the Division of Examinations, recommending an increase in the basic salary of Arthur H. Lang, a Federal Reserve Examiner in that Division, from \$8,000 to \$9,000 per annum, effective February 18, 1951.

Approved unanimously.

Memorandum dated January 26, 1951, from Mr. Carpenter, Secretary of the Board, recommending that Gordon R. Murff, Chief Field Examiner in the Division of Examinations, be appointed to the Office of the Secretary as an Assistant Secretary, on a nonpermanent basis in accordance with the procedure adopted by the Board on December 29, 1950, with an increase in salary from \$10,500 to \$11,000 per annum, effective as soon as he can be relieved from the road force and assume the duties of the new position. The memorandum also stated that Mr. Wayne was agreeable to this transfer.

Approved unanimously.

Memorandum dated January 26, 1951, from Mr. Wayne, Acting Director of the Division of Examinations, recommending that Arthur H. Lang, a Federal Reserve Examiner in that Division, be appointed to the position of Chief Federal Reserve Examiner in that Division,

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on a nonpermanent basis in accordance with the procedure adopted by the Board on December 29, 1950, with an increase in salary from \$9,000 to \$10,000 per annum, effective at the same time as the appointment of Chief Field Examiner G. R. Murff as Assistant Secretary of the Board.

Approved unanimously.

Letter to Mr. Hodgkinson, Chairman of the Federal Reserve Bank of Boston, reading as follows:

"As requested in your letter of January 22, 1951, the Board of Governors approves the payment of salary to the following officers of the Federal Reserve Bank of Boston at the rates indicated for the period January 1, 1951, through April 30, 1951. According to your letter, these are the rates which were fixed by your board of directors.

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
David L. Strong	Auditor	\$8,500
Elliot S. Boardman	Assistant Cashier	8,250
Frank C. Gilbody	Assistant Cashier	9,000
Edward W. C'Neil	Assistant Cashier	8,500
John J. Rock	Assistant Cashier	8,250"

Approved, Mr. Vardaman voting
"no".

Letter to Mr. Wiltse, Vice President of the Federal Reserve Bank of New York, reading as follows:

"Reference is made to your letter of January 19, 1951, submitting the request of 'The County Trust Company,' White Plains, New York, for approval of the establishment of a branch in Bedford Village, New York.

"It is understood the proposal has been approved by the New York State Banking Department.

"In view of your recommendation the Board of Governors approves the establishment and operation of a

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"branch in Bedford Village, New York, by The County Trust Company, White Plains, New York, provided the branch is established within six months of the date of this letter. It is understood that Counsel for the Federal Reserve Bank of New York will review and satisfy himself as to the legality of all steps taken to establish the branch."

Approved unanimously.

Letter to Britton & Koontz National Bank in Natchez, Natchez, Mississippi, reading as follows:

"This refers to the resolution adopted on April 11, 1950, by the board of directors of your bank, signifying the bank's desire to surrender its right to exercise fiduciary powers heretofore granted to it.

"The Board, understanding that your bank has been discharged or otherwise properly relieved in accordance with the law of all of its duties as fiduciary, has issued a formal certificate to your bank certifying that it is no longer authorized to exercise any of the fiduciary powers covered by the provisions of section 11(k) of the Federal Reserve Act, as amended. This certificate is enclosed herewith.

"In this connection, your attention is called to the fact that, under the provisions of section 11(k) of the Federal Reserve Act, as amended, when such a certificate has been issued by the Board of Governors of the Federal Reserve System to a national bank, such bank (1) shall no longer be subject to the provisions of section 11(k) or the regulations of the Board of Governors of the Federal Reserve System made pursuant thereto, (2) shall be entitled to have returned to it any securities which it may have deposited with the State authorities for the protection of private or court trusts, and (3) shall not exercise thereafter any of the powers granted by section 11(k) without first applying for and obtaining a new permit to exercise such powers pursuant to the provisions of section 11(k)."

Approved unanimously for
transmittal through the Federal
Reserve Bank of Atlanta.

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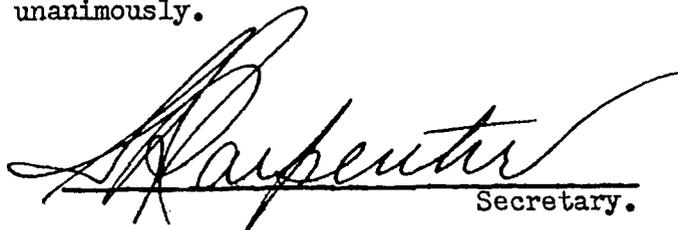
Letter to Mr. Frank Cain, General Counsel, National Used Car Dealers Association, c/o Irion, Cain, Bergman and Hickerson, Mercantile Bank Building, Dallas 1, Texas, reading as follows:

"This refers to your letter of January 31, 1951, in which you request 14 additional days within which to supply additional information regarding Regulation W to supplement your presentation at the conference on January 18, 1951.

"You state that you have sent out a questionnaire to over 550 automobile finance companies and banks. The copy of the questionnaire, which you state was enclosed, apparently was omitted through inadvertence. You state that you have also been preparing other statistical data and information which you desire to submit and which you can complete within 14 additional days.

"In the circumstances, the time within which you may submit such supplemental information is extended to February 15, 1951, as you requested."

Approved unanimously.


Secretary.