

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, February 7, 1952. The Board met in the Board Room at 10:30 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Szymczak
Mr. Evans
Mr. Vardaman
Mr. Powell

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Kenyon, Assistant Secretary
Mr. Thurston, Assistant to the Board
Mr. Vest, General Counsel
Mr. Townsend, Solicitor
Mr. Allen, Director, Division of
Personnel Administration

Before this meeting there had been sent to each member of the Board a copy of a memorandum dated January 14, 1952 from the Personnel Committee reading as follows:

"The Personnel Committee on two occasions last year requested the Division of Personnel Administration to investigate the classification of the Board's chauffeurs. In both instances the Division reported that our chauffeurs were classified at comparable levels to those in the Government and that the Head Chauffeur was classified at the absolute maximum which his duties and responsibilities warranted.

"While we appreciate the difficulties faced by lower salaried employees at the Board, as well as in Washington generally, we feel that it is a dangerous practice to increase arbitrarily the salaries of one group of Board employees when equal consideration is not given to others. There seem to be as many reasons why the salaries of elevator operators, guards, charwomen, laborers, and others in similar positions should be increased as there are reasons why the salaries of chauffeurs should be adjusted.

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"It is our feeling that classified salaries at the Board should be administered under common principles and under a common plan with no exceptions being made for certain groups of employees. Specifically, this means that any adjustment in the Board's salary rates should apply to all grades and not just to those at the top or the bottom of the scale.

"Under wage and salary stabilization regulations, our salary scale, and individual salaries, can be increased by four per cent. Such an adjustment would, for the first time, place our salary scale above that of classified Government employees. Reasons can be given both to justify and to condemn such action.

"The Personnel Committee wishes to refer the matter to the Board without recommendation.

"The Personnel Committee is of the opinion that considerable improvement can be made in the pattern of the present salary structure and, therefore, even if the four per cent increase is approved at this time, the adjustment should not be looked upon as resulting in a desirable salary scale. The desired revision cannot be made now because of salary and wage regulations."

At the request of Mr. Powell, Mr. Allen outlined the procedure followed in establishing grades for nonofficial positions within the Board's staff and stated that it was the practice to follow whenever possible Civil Service standards.

Mr. Vest stated in this connection that although the Board was not legally required to abide by Civil Service salary practices it had been the policy of the Board to follow such practices generally.

Mr. Evans said that when the matter of the level of chauffeurs' salaries was first referred to the Personnel Committee both he and Mr.

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Norton, who was at the time a member of the Committee, thought that it might be possible to increase the minimum and maximum salaries of certain of the lower grades but upon investigation by the Division of Personnel Administration at the request of the Committee it developed that this could not be done under the current wage and salary stabilization regulations, the only alternative being a percentage cost of living increase applicable to all salary grades.

Mr. Vardaman said he was not satisfied that it would be impossible to work out some other solution to take care of the chauffeurs, and that certain positions could be regraded if necessary, since the Board sometimes had deviated from Civil Service practices. At his suggestion it was understood that the matter would be considered further in executive session.

Before this meeting there was placed in circulation to the members of the Board a letter dated January 23, 1952 from Mr. Sproul, President of the Federal Reserve Bank of New York, setting forth a proposed foreign travel program for the staff of that Bank for 1952. Mr. Sproul's letter stated that the program had received the approval of the Bank's directors.

Mr. Szymczak said he was of the opinion that it was not necessary for the Board to send personnel abroad merely because the New York

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Bank was doing so unless the trips were for the purpose of discussing matters relating to the work of the National Advisory Council or for the purpose of discussing policy questions. He added that in the circumstances he saw no objection to the program outlined in Mr. Sproul's letter.

Thereupon, upon motion by Mr. Szymczak, unanimous approval was given to a letter to Mr. Sproul in the following form:

"This will acknowledge your letter of January 23, 1952, addressed to Governor Szymczak, requesting consideration of a proposed foreign travel program for 1952 approved by the directors of your Bank, which would include:

- (1) A visit to the Bank of England by Vice President Knoke, who would be accompanied by a member of the staff of the Foreign Department.
- (2) A trip by Assistant Vice President Norman Davis to England and France.
- (3) A trip to several Latin American countries by Assistant Vice President Sanford, who would be accompanied by a member of the staff of the Foreign Research Department.
- (4) Continuation of the exchange visits with the Bank of Canada that were initiated in 1950.
- (5) Attendance by Mr. Rozell, Manager of the Foreign Department, and a member of the research staff at the Third Conference of Experts of the Central Banks of the American Continent to be held in Havana.

"Please be advised that the Board will interpose no objection to the program outlined above. The Board also has noted that it may be possible for you and Vice President

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"Rouse to make the trips to Europe which were planned previously but had to be postponed because of the pressure of business. The Board trusts that circumstances may permit you and Mr. Rouse to make these visits during 1952 and will appreciate your further advice, if it seems likely that these plans will materialize."

In a letter dated October 24, 1950, Mr. Williams, President of the Federal Reserve Bank of Philadelphia, stated that it was the intention of that Bank to ask their former counsel, MacCoy, Evans, and Lewis, to provide special legal services on a part-time basis without retainer fee in connection with the administration of the selective credit regulations, and the Board in a reply dated November 2, 1950, stated that it would interpose no objection to the proposal with the understanding that any fees or other payments in connection with the services rendered would be subject to approval by the Board in accordance with established procedure. In a letter dated December 27, 1951, Mr. Williams submitted without recommendation the firm's bill of \$6,000 for services rendered during 1951, \$4,000 of this relating to services in connection with the administrative proceeding under section 8(b) of Regulation W, Consumer Credit, against H. Bartels, Inc., of Philadelphia, Pennsylvania, a registrant under the regulation. After a question had been raised as to the reasonableness of the fee the Secretary of the Board discussed the matter with Mr. Williams by telephone and the latter advised by letter dated January 25, 1952, that the Bank recommended payment of the fee.

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The file had been in circulation to the members of the Board and Mr. Evans requested that the matter be placed on the docket for discussion at a meeting of the Board.

Mr. Evans said that the fee seemed to him to be high insofar as the services rendered in the Bartels matter were concerned, particularly since the attorney assigned by the firm to the case became ill before the hearing commenced and it was necessary to call upon the Board's Solicitor to handle the presentation of the case. Mr. Evans went on to say, however, that in the circumstances there probably was no course of action open to the Board at this time except to approve the fee.

Mr. Townsend said that on the basis of the work done by the firm on the Bartels case prior to the hearing it probably could justify the fee if called upon to do so. He said that the larger question was whether the Board wished to reiterate to the Reserve Banks that it wanted legal work in connection with Regulation W matters performed by the Banks' regular counsel to the fullest extent possible.

Mr. Powell expressed the view in this connection that while the larger Reserve Banks could justify the employment of a counsel on a full-time basis, this was not true in the case of other Reserve Banks where the regular counsel often was assigned to other duties to provide

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a full work schedule, and that this raised a question as to the desirability in all cases of the present policy of having full-time counsel on the staffs of all of the Reserve Banks.

Following a discussion of the policy of the Board toward the employment of full-time counsel and the retention of outside counsel, during which it was suggested that this policy be reviewed, unanimous approval was given to a letter to Mr. Williams in the following form:

"This refers to your letters of December 27, 1951 and January 25, 1952, submitting a fee of \$6,000 for the services of outside counsel, MacCoy, Evans & Lewis, in connection with Regulations V, W and X. In view of the comments contained in your letters with regard to the reasonableness of the fee, the Board of Governors approves its payment."

At this point all of the members of the staff with the exception of Messrs. Carpenter, Sherman, 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 February 6, 1952, were approved unanimously.

Memoranda dated February 4, 1952, recommending increases in the basic annual salaries of the following employees in the amounts indicated, effective February 17, 1952:

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<u>Name</u>	<u>Title</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
	<u>Memorandum from Mr. Young, Director, Division of Research and Statistics</u>		
Nancy W. Ware	Clerk-Typist	\$2,990	\$3,110
	<u>Memoranda from Mr. Bethea, Director, Division of Administrative Services</u>		
Thomas G. Cook	Guard	3,230	3,310
Charles R. Nichols	Guard	3,230	3,310

Approved unanimously.

Memorandum dated February 6, 1952, from Mr. Allen, Director, Division of Personnel Administration, recommending reimbursement to the Federal Reserve Bank of Philadelphia for salary and actual expenses of Robert N. Hilkert while acting in the capacity of Consultant to the Board for two days during the week of February 11, 1952. The memorandum stated that this expenditure had not been provided for in the approved budget of the Division of Personnel Administration for 1952.

Approved unanimously.

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

"In view of the circumstances described in your letter of February 5, 1952, the Board of Governors approves the payment of salary to Mr. Howard E. Brower while occupying the position of Receiving Teller, Receiving Division, Cash Department, at the rate of \$5,700

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"per annum, which is \$500 in excess of the maximum approved for the grade in which this position is classified."

Approved unanimously.

Letter to Mr. McCreedy, Vice President, Federal Reserve Bank of Philadelphia, reading as follows:

"This refers to your letter of February 1, regarding the penalty of \$21.88 incurred by The First National Bank of Selins Grove, Selinsgrove, Pennsylvania, on a deficiency in its reserves for the period ended January 15, 1952.

"It is noted that the deficiency resulted through carelessness on the part of the bookkeeper of the subject bank, and that the bank has had only two deficiencies in its reserves since 1918.

"In the circumstances, the Board authorizes your Bank to waive the assessment of the penalty in this case."

Approved unanimously.

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

"This refers to your letter of February 4, regarding the penalty of \$241.95 incurred by the Union Bank and Trust Company, Montgomery, Alabama, on a deficiency in its reserves for the period ended December 15, 1951.

"It is noted that the deficiency resulted from misinformation received by the subject bank from the Birmingham Branch concerning its reserve balance, and that this is the first time since July 1948 that the bank has incurred a penalty for a deficiency in its reserves.

"In the circumstances, the Board authorizes your Bank to waive the assessment of the penalty in this case."

Approved unanimously.

Telegram to the Presidents of all Federal Reserve Banks, prepared in accordance with action taken at the meeting on January 31, 1952, reading as follows:

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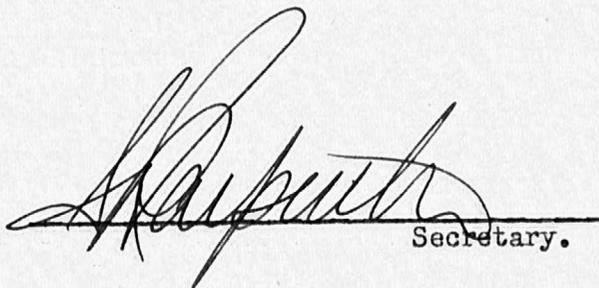
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"Referring wire December 14 regarding copies of answers to Patman questionnaire. Answers expected to be printed in three volumes costing about \$2.50 per set. Copies will be stocked by Government Printing Office and will be available to public from that source. Board has deferred decision on whether System should distribute copies to banks and others including libraries and college teachers of economics. Have been advised by Joint Committee on Economic Report that its supply will be limited and that only one copy will be distributed to each respondent to questionnaire. Board will be glad to order and send copies to your Bank for its own use. Also, if you desire and will so advise, we will send one copy for each of your head office and branch directors."

Approved unanimously.

Memorandum dated February 6, 1952, from Mr. Townsend, Solicitor, recommending for reasons stated therein that the Board authorize the institution of appropriate action to enjoin Re-Nu-It Company, Miami, Florida, a registrant under Regulation W, Consumer Credit, from further violations of the regulation. The memorandum stated that the Office of the Solicitor would discuss further with the Federal Reserve Bank of Atlanta the additional recommendation of that Bank that the case be referred to the Department of Justice for the possible institution of criminal proceedings.

Approved unanimously.


Secretary.