

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, December 18, 1952. The Board met in the Board Room at 11:00 a.m.

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

Mr. Carpenter, Secretary  
Mr. Sherman, Assistant Secretary  
Mr. Kenyon, Assistant Secretary  
Mr. Thomas, Economic Adviser to the Board  
Mr. Leonard, Director, Division of Bank Operations  
Mr. Vest, General Counsel  
Mr. Young, Director, Division of Research and Statistics  
Mr. Horbett, Assistant Director, Division of Bank Operations  
Mr. Solomon, Assistant General Counsel

Governor Mills said that in accordance with the decision of the Board at its meeting on November 20, 1952, to proceed with a survey of the 1952 excess profits situation of banks which would supplement the previous survey covering the years 1950 and 1951, members of the staffs of the Board, the Comptroller of the Currency, and the Federal Deposit Insurance Corporation, in consultation with a member of the tax advisory staff of the Secretary of the Treasury, had reached agreement on a form of report to be obtained from a sample of member and nonmember insured commercial banks comprising those banks selected for the previous survey that completed and returned in usable form the original questionnaire. He explained that the data would be collected

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in the form of a supplement to the earnings and dividends reports for the year 1952 and that, in addition, data from the official condition and earnings reports of the sample banks would be utilized.

The further steps contemplated in connection with the survey, Governor Mills said, included (1) letters from him to Mr. Delano, Comptroller of the Currency, and Mr. Harl, Chairman of the Federal Deposit Insurance Corporation, requesting their formal concurrence in the survey; (2) advices to the Federal Advisory Council, the American Bankers Association, and the National Association of Supervisors of State Banks concerning the plans for the survey; and (3) letters, to be sent about the middle of February 1953, to the Presidents of all Federal Reserve Banks discussing the survey and enclosing a suggested letter to be sent to the sample banks requesting that they prepare and return the supplement to the earnings and dividends report not later than March 20, 1953.

Governor Mills raised for consideration the question as to the manner in which advice should be given to the Federal Advisory Council, the American Bankers Association, and the National Association of Supervisors of State Banks, and pointed out in this connection that the 1952 survey was being sponsored jointly by the three Federal bank supervisory agencies, primarily for the purpose of enabling them to furnish information to the Congress if requested, whereas the earlier survey was initiated by banker groups, who were the prime sponsors.

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There ensued a discussion of this point, during which Chairman Martin said that he had mentioned informally to President Brown of the Federal Advisory Council that plans were under way for the survey. It was also pointed out that Governor Robertson had discussed the plans for the survey in general terms at the recent meeting of the inter-agency committee on emergency banking operations, which meeting was attended by Mr. Maurice C. Sparling, Superintendent of Banks of California, as representative of the National Association of Supervisors of State Banks.

Chairman Martin suggested that in the circumstances, following receipt of advice from Messrs. Delano and Harl indicating their concurrence in the survey, letters be prepared for his signature to Mr. Brown, Mr. Sparling, and Mr. Stonier, Executive Vice President of the American Bankers Association, advising them formally that the survey was to be made and sending them copies of the supplement to the earnings and dividends report so that they might have an opportunity to offer any comments and suggestions.

It was also suggested that no public announcement of the plans for the survey be made by the Board.

Question was raised whether the information collected would be made available to the reporting banks, it being recalled that following the previous survey, an analysis of the findings and statistical tables were published in the June 1952 issue of the Federal Reserve Bulletin,

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although no information was made available regarding individual banks.

Governor Mills said that it had not yet been decided whether analyses and statistics based on the new survey should be published or made available except in response to Congressional inquiry. He added that, as in the previous survey, the suggested letter from the Federal Reserve Banks to the reporting commercial banks would state that the data supplied on the supplement would be kept strictly confidential and that the resulting statistics and analyses, if published or otherwise made available, would not reveal data for individual banks.

Following further discussion, Chairman Martin suggested that the survey be carried forward along the lines proposed by Governor Mills in the light of the discussion at this meeting.

Chairman Martin's suggestion was approved unanimously.

During the foregoing discussion Mr. Thurston, Assistant to the Board, entered the room.

Reference was made to a memorandum from Mr. Horbett, dated December 10, 1952, recommending that, subject to clearance with the Bureau of the Budget, the bank debits and weekly reporting member bank series be revised, effective in March 1953, to the extent described in the memorandum. The memorandum stated that the revisions had been prepared by System subcommittees appointed to study the matters and that



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they had been approved by the Committee on Current Reporting Series and also by the System Research Advisory Committee and the Subcommittee of the Presidents' Conference Committee on Research and Statistics at their joint meeting on November 17-18, 1952. To the memorandum was attached a proposed letter to the Presidents of all Federal Reserve Banks, to be sent upon approval of the revised forms by the Bureau of the Budget, enclosing copies of the revised report forms; requesting that the Reserve Banks obtain reports on the new basis beginning with March 1953, in the case of the monthly bank debits reports, and beginning with March 11, 1953, in the case of the weekly reporting member bank form; and requesting that figures for overlapping periods (estimates in the case of the bank debits) be prepared and forwarded to the Division of Bank Operations as soon as practicable to provide comparable data on the new bases. There were also attached to Mr. Horbett's memorandum copies of proposed public announcements to be issued by the Board about the beginning of 1953 concerning the revisions in the series.

Governor Mills outlined the proposed changes, which in the case of the bank debits series would eliminate debits to United States Government accounts and to time deposit accounts. The revisions in the weekly reporting member bank series included the elimination of debits figures, the inclusion of a few additional banks and one additional city, and the elimination of the breakdown between loans for purchasing or carrying

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Government securities and loans for purchasing or carrying other securities, except for banks in the cities of New York and Chicago.

Governor Mills said that the changes in the bank debits series would reduce the burden on the reporting banks and at the same time improve the statistical value of the series. He also said that announcement of the revisions, particularly the termination of the weekly bank debits series, might bring some protests from users of the series in their current form as well as possible protests from groups in cities whose debits would be deflated more than the debits of other cities through elimination of the debits to United States Government accounts and to time deposit accounts. In the circumstances, he said, it was proposed to release the announcements of the changes about the beginning of 1953 so that any interested parties could have a chance to express themselves.

Mr. Thurston agreed with Governor Mills that the advantages of the proposed revisions seemed to outweigh any disadvantages to particular persons or groups and that any complaints which might be received could be dealt with satisfactorily.

Governor Szymczak inquired whether the elimination, except for New York and Chicago banks, of the breakdown of loans for the purchasing or carrying of securities as between Government securities and other securities would deprive the Board of statistics which might prove

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useful in the administration of its regulations regarding margin requirements, and it was stated that the volume of loans for purchasing or carrying Government securities by banks outside New York and Chicago was so small that the elimination of the breakdown would have no effect on any judgments which might be drawn from the statistics.

Mr. Young said that the proposed changes would affect two series which were among the oldest banking series and that the revisions in the bank debits series, particularly, might provoke some discussion among economists who have followed the series closely and have drawn certain conclusions from the statistics. He felt, however, that the System was in a good position to defend itself against any criticism of that type which might arise. Mr. Young also said that the proposed revisions met with the full approval of the Division of Research and Statistics.

Messrs. Thomas and Horbett commented on the work put into the study of the revisions by System committees over a long period and the view of the committees that no data of consequence would be lost through making the changes.

Thereupon, unanimous approval was given to a letter to Mr. Walter F. Ryan, Clearance Officer, Division of Statistical Standards, Bureau of the Budget, Washington, D. C., reading as follows:

"There are enclosed two copies of proposed forms F. R. 573 and F. R. 416, and of your forms 83 related to each,

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"which have been approved by the Board for adoption in March 1953. Both revisions have been proposed by System subcommittees and copies of the subcommittee reports have already been furnished to Mr. Edward T. Crowder, Jr., by Mr. Horbett.

"The proposed revision of the debits series is the more extensive; the changes in the weekly reporting member bank form are relatively minor except for the elimination of debits. The proposed changes are described in more detail in the attached memoranda prepared for the use of the Federal Reserve Banks."

In connection with the above action the Division of Bank Operations was authorized:

1. To determine, in consultation with the Federal Reserve Banks, which banks and cities should be included in the new series on the basis of formulae recommended by the System committees.
2. To make appropriate arrangements for the Federal Reserve Banks to prepare and submit tabulations, including any estimates of back figures considered necessary to provide comparable data on the new bases.
3. To make clarifying and minor changes in the report forms, instructions, and public announcements of the revisions of the series.
4. To issue the public announcements as soon as practicable, after consultation with Mr. Thurston.

There was a brief discussion of the work being done on the revision of the consumer credit statistics. In response to a question by Governor Mills, Mr. Young said that before reporting to the Board on this project, the Division of Research and Statistics would like to



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receive the comments of those persons who are serving as consultants in connection with the revision, and that these comments should be available in about ten days. In addition, he said, the Division was planning to seek the comments and suggestions of certain persons within the consumer credit industry who were familiar with the statistics. He suggested, therefore, that a date toward the end of January 1953 might be suitable for a report to the Board.

Chairman Martin suggested that Mr. Young advise the Secretary when the Division of Research and Statistics was prepared to report so that an afternoon meeting of the Board might be set aside for the discussion of the statistics.

Governor Mills said that Mr. Walter French, Deputy Manager of the American Bankers Association, stated to him yesterday that the committee chairmen of the Association's Credit Policy Commission found their last visit to the Board's offices very helpful and that a similar review of the economic situation by the Board's staff at the time of the group's next meeting in Washington, scheduled for January 1953, would be appreciated.

Chairman Martin suggested that a program for the group, including luncheon, be arranged by Governor Mills and Mr. Young.

Approved unanimously.

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Mr. Thurston referred to the practice under which replies to letters from members of the Senate and House of Representatives are prepared for the signature of the Chairman, and mentioned certain instances where letters had been addressed to members of the staff and it appeared advisable that the reply be sent over the signature of the person addressed.

Following a discussion, Chairman Martin expressed the thought that, although in some circumstances it might be advisable to make exceptions to the existing practice, that practice should be continued. No action was taken as a result of the discussion.

In response to a question by Governor Evans as to what steps were being taken by the staff to prepare material submitted to the Patman Subcommittee in a form suitable for general distribution, Mr. Young said that the staff was planning a series of articles for publication in the Federal Reserve Bulletin during 1953 which would be based on that material. In addition, he said, it was contemplated that the revision of the booklet, "The Federal Reserve System -- Its Purposes and Functions", which is now in process would incorporate some of the material submitted to the subcommittee.

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

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Minutes of actions taken by the Board of Governors of the Federal Reserve System on December 17, 1952, were approved unanimously.

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

"In accordance with the request contained in your letter of December 8, 1952, the Board approves the appointment of Bernard L. Cummings as an assistant examiner for the Federal Reserve Bank of Richmond, effective January 1, 1953.

"It is noted that you have designated John G. Deitrick as a senior assistant examiner and Veron J. Meador as an assistant trust examiner. Since their appointments as assistant examiners have heretofore been approved by the Board, no further approval is required."

Approved unanimously.

Letter to Mr. Leedy, President, Federal Reserve Bank of Kansas City, reading as follows:

"In response to your letter of November 14, 1952, the Board of Governors approves your request for a structure increase of 5 per cent, effective January 1, 1953. This approval is granted subject to approval by the Wage and Salary Stabilization Boards.

<u>Grade</u>	<u>Minimum Salary</u>	<u>Maximum Salary</u>
1	\$ 1,680	\$ 2,220
2	1,860	2,460
3	2,040	2,760
4	2,280	3,060
5	2,580	3,480
6	2,880	3,900
7	3,180	4,320
8	3,540	4,800
9	3,960	5,340
10	4,440	6,000
11	4,980	6,720
12	5,580	7,560

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<u>"Grade</u>	<u>Minimum Salary</u>	<u>Maximum Salary</u>
13	\$ 6,240	\$ 8,460
14	7,020	9,420
15	7,860	10,560
16	8,760	11,820

"The Board notes that this structure, when applied to the Denver Branch, falls slightly below the market in that city. As you are aware, such a structure-market relationship is contrary to the agreement of the Presidents' Conference in 1947 that the structure should lie within the third quarter bracket of the community wage market. It is assumed that, should this disparity continue to exist, consideration will be given to the advisability of creating a separate structure for this office.

"The Board approves the payment of salaries to the employees, other than officers, within the limits specified for the grades in which the positions of the respective employees are classified. It is assumed that all employees whose salaries are below the minimum of their grades as a result of the structure increase will be brought within the appropriate range as soon as practicable and not later than March 1, 1953."

Approved unanimously.

Letter to Mr. Laning, Vice President and Cashier, Federal Reserve Bank of Cleveland, reading as follows:

"Reference is made to your letter of November 21, 1952, in which you advised that it appears expenses for your Head Office and branches will exceed the 1952 budget estimates in the amounts indicated.

"The Board accepts the revised figures as submitted and appropriate notations are being made in the Board's records."

Approved unanimously.

Letter to Mr. Leach, President, Federal Reserve Bank of Richmond, reading as follows:

"Reference is made to your letter of November 26, 1952, in which you advised that it appears expenses for your Head



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"Office and branches will exceed the 1952 budget estimates in the amounts indicated.

"The Board accepts the revised figures as submitted and appropriate notations are being made in the Board's records."

Approved unanimously.

Letter to the Board of Directors, Fidelity Trust Company, Detroit, Michigan, reading as follows:

"Pursuant to your request submitted through the Federal Reserve Bank of Chicago, the Board of Governors approves the establishment and operation of a branch at 2761 Madison Avenue, within the city limits of Indianapolis, Indiana, by the Fidelity Trust Company, provided such branch is established within twelve months from the date of this letter and that prior formal approval of the appropriate State authorities is obtained.

"It is understood from the correspondence and discussions had with the management of the bank that progress is being made in reducing the volume of assets classified in the report of examination made as of February 4, 1952, and that steps have been taken to strengthen the loaning and collection policies of the bank, build up its credit files, and improve operating procedures, systems and controls. The Board believes that these constructive efforts should be continued with a view to placing the bank in satisfactory condition as soon as possible. In this connection, it is also understood that the current policy of augmenting the bank's capital structure through the retention of a substantial portion of earnings is to be maintained."

Approved unanimously, for  
transmittal through the Federal  
Reserve Bank of Chicago.

Telegram to Mr. Wilbur, Chairman of the Federal Reserve Bank of San Francisco, authorizing him to issue a limited voting permit, under the provisions of Section 5144 of the Revised Statutes of the

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United States, to Transamerica Corporation, San Francisco, California, entitling such organization to vote the stock which it owns of The First National Bank of Forest Grove, Forest Grove, Oregon, at any time prior to March 1, 1953, to act upon proposals (1) to increase the capital stock of such bank, and (2) to amend the articles of association of such bank to conform to articles recommended by the Comptroller of the Currency, provided that all actions taken shall be in accordance with plans satisfactory to the Comptroller of the Currency.

Approved unanimously.

Memorandum dated December 12, 1952, from Mr. Sloan, Director, Division of Examinations, reading as follows:

"As has been the practice for many years this Division is tentatively planning a System Conference of Representatives of the bank examining departments of the Reserve Banks for discussion of current problems in the field of bank supervision for the mutual advantage of all participants. This conference will be attended by Vice Presidents in charge of bank examination departments of the Reserve Banks and their chief examiners. The conference will also be attended by members of the staff of this Division. It is contemplated that the 1953 conference will be held at the Board's offices on February 5, 6, and 7, 1953.

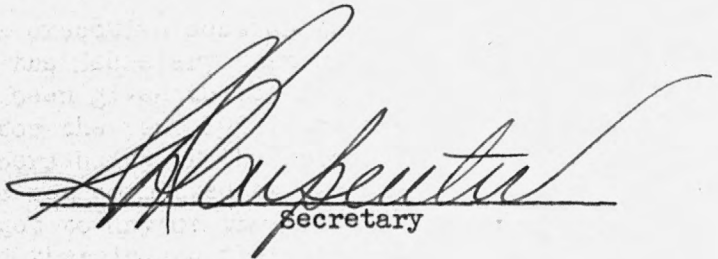
"It is also tentatively planned to hold a System conference of trust examiners for discussion of problems current to their specialized field of bank examination work. This conference will be attended by trust examination personnel from all Reserve Banks together with members of the Board's staff having direct responsibility in the field of trust department examinations. It is planned to schedule

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"this conference for February 12 and 13 at the Federal Reserve Bank of New York immediately following the Mid-Winter Trust Conference of the American Bankers Association, which conference is usually attended by most of the System Trust Examiners.

"Before proceeding with formal arrangements for these conferences it is desirable to obtain the Board's approval of these contemplated plans."

Approved unanimously.

  
Secretary

ANNUAL REPORT

Calendar year 1952

PERSONAL SERVICES

- Salaries
- Retirement contributions
- Supplemental death benefit
- Travel personal services charges

Exclusive of salaries of the Board  
Reimbursable from others or included