

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, January 22, 1953. 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
 Mr. Sherman, Assistant Secretary
 Mr. Kenyon, Assistant Secretary
 Mr. Riefler, Assistant to the Chairman
 Mr. Thomas, Economic Adviser to the Board
 Mr. Leonard, Director, Division of Bank Operations
 Mr. Vest, General Counsel
 Mr. Marget, Director, Division of International Finance
 Mr. Sloan, Director, Division of Examinations
 Mr. Youngdahl, Assistant Director, Division of Research and Statistics
 Mr. Dembitz, Assistant Director, Division of International Finance
 Mr. Hostrup, Assistant Director, Division of Examinations
 Mr. Tamagna, Chief, Financial Operations and Policy Section, Division of International Finance

Governor Robertson stated that, in accordance with the understanding at the meeting of the Board yesterday, a tentative schedule had been worked out for attendance by members of the Board and its

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staff at the dinners to be given in connection with the forthcoming visits to Washington of officers of several of the State bankers associations. He said that the plan would provide adequate representation of the Board at the dinners, and that copies of the schedule would be sent to the members of the Board and the interested members of the staff so that they might make their plans accordingly, with the understanding that the schedule of attendance might be rearranged, if necessary, in the light of other commitments.

Governor Robertson then referred to his statement at the meeting on January 14, 1953, regarding developments in connection with the hearing under section 30 of the Banking Act of 1933 which had been fixed for January 26, 1953, for the purpose of enabling certain named directors and officers of the City National Bank of Fort Smith, Fort Smith, Arkansas, to show cause why they should not be removed from office. He said that informal advice had now been received from the Office of the Comptroller of the Currency that President and Director H. S. Nakdimen, the majority stockholder, had sold his stock to an insurance company and that, at a stockholders' meeting on January 17, 1953, a new president and vice

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president were elected, together with new directors except three, two of whom, according to examination reports, had been seeking the removal of Mr. Nakdimen for some time and the third being the cashier, who apparently was retained because he knew the customers. Governor Robertson said that these changes represented a satisfactory solution to the situation and that in the circumstances there would be no need to hold the hearing, and the section 30 proceeding could be dismissed.

Thereupon, the following Order was adopted by unanimous vote, with the understanding that copies thereof would be sent to all the directors of the City National Bank of Fort Smith:

"UNITED STATES OF AMERICA
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D. C.

IN THE MATTER OF
Hudson Cooper, G. L. Grant, Arthur F. Hoge,
and Gus Krone, Directors, and
H. S. Nakdimen, President and Director, and
W. B. Fitch, Vice President, Cashier and Director
of CITY NATIONAL BANK OF FORT SMITH,
Fort Smith, Arkansas.

ORDER CALLING OFF HEARING AND DISMISSING PROCEEDING

In view of information received by the Board of Governors that substantial changes have now been made in the directors and officers of the City National Bank of Fort Smith, Fort Smith, Arkansas, and in the ownership of the stock of the said bank,

IT IS HEREBY ORDERED, That the hearing in the above entitled matter heretofore fixed for January 26, 1953, not be

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"held and that this proceeding be and it is hereby dismissed.
By the Board.

(Signed) S. R. Carpenter
S. R. Carpenter,
Secretary.

(SEAL)

January 22, 1953."

In connection with the
above action, unanimous approval
was also given to a letter to Mr.
D. C. Daniel, Secretary of the
Federal Trade Commission, Washing-
ton, D. C., in the following form:

"This refers to the Board's letter of November 17,
1952, and your reply of November 25, 1952, with regard
to the loan of the services of Mr. James A. Purcell,
Hearing Examiner, to conduct a hearing for the Board
pursuant to the provisions of section 30 of the Banking
Act of 1933.

"It has now developed that it will not be necessary
to hold the hearing in this matter, which had been set
for January 26, 1953, and the Board has dismissed the
proceeding. Under the agreement between your Commission
and the Board, Mr. Purcell's services were to be on a
reimbursable loan basis and, accordingly, if he has de-
voted any time to this matter for which reimbursement
by the Board is in order, please let us know.

"The Board wishes to express its appreciation to
the Federal Trade Commission and to Mr. Purcell for the
assistance and cooperation given to us in this matter."

Unanimous approval likewise
was given to a letter to the United
States Civil Service Commission,
Washington, D. C. (Attention: Mr.
Wilson Matthews, Examiner for the
Hearing Examiners) in the follow-
ing form:

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"This refers to the Board's letter of November 28, 1952, with regard to the loan of the services of Mr. James A. Purcell, Hearing Examiner for the Federal Trade Commission, to conduct a hearing for the Board pursuant to the provisions of section 30 of the Banking Act of 1933.

"It has now developed that it will not be necessary to hold the hearing in this matter, which had been set for January 26, 1953, and the Board has dismissed the proceeding. The Federal Trade Commission has been notified accordingly.

"The Board is grateful to you for the prompt assistance which we received from you in this matter."

Governor Robertson stated that he had been requested to receive a committee of the New York State Bankers Association in his office tomorrow to discuss a bill that Mr. Lyon, Superintendent of Banks of New York, indicated that he intended to have introduced in the State legislature which, among other things, would permit any savings bank to open a branch office within 50 miles of its head office. Governor Robertson said that, while it was his feeling that the matter was not one with which the Federal bank supervisory agencies would be concerned, he would meet with the committee in the absence of objection by the Board.

Following a discussion, during which it was suggested that Governor Robertson might mention to the committee the possibility of a conference with officers of the Federal Reserve Bank of New York, it was understood that there would be no objection to his meeting with the committee for an informal discussion.

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At the request of the Board, Mr. Marget discussed opinions expressed in various quarters recently in favor of an increase in the dollar price of gold, and explained the benefits which purportedly would result therefrom from the standpoint of world trade. He presented reasons why in his opinion such a move would not constitute a satisfactory and equitable solution to the problems involved and suggested alternative methods for working toward the desired results.

At the conclusion of Mr. Marget's comments, Governor Szymczak suggested that the Division of International Finance send to the members of the Board for their information and files: (1) a resume of the points covered by Mr. Marget, and (2) a statement giving the official United States position at times in the past with respect to changes in the price of gold. Mr. Marget said that these papers would be prepared and distributed, and that there would also be sent to the members of the Board in the near future copies of a more comprehensive statement now being prepared by the staff of the Division. Governor Vardaman suggested that an attempt be made to develop in that paper the probable effect on the purchasing power of the dollar of a given increase in the price of gold.

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At this point Messrs. Riefler, Thomas, Leonard, Marget, Youngdahl, Dembitz, and Tamagna withdrew from the meeting.

There was presented a request that Lorman C. Trueblood, Economist in the Division of Research and Statistics, be authorized to travel to Philadelphia, Pennsylvania, on January 23, 1953, to speak at a meeting of the local chapter of the American Statistical Association.

Approved unanimously.

At this point Messrs. Vest, Sloan, and Hostrup withdrew from the meeting.

Governor Robertson referred to the visit to the Board's offices by members of the State Bank Division of the American Bankers Association on January 30, 1953, and requested the views of the Board as to what staff attendance would be appropriate at the luncheon to be given for the group.

During a discussion, it was suggested that on such occasions as the one referred to by Governor Robertson it might be well to select members of the staff on the basis of whether their duties at the Board had a relationship to the matters in which the visitors probably would be most interested.

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It was understood that attendance at the luncheon for the members of the State Bank Division would be restricted to the members of the Board and such members of the staff as might be selected by Governor Robertson on the basis suggested.

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 January 21, 1953, were approved unanimously.

Telegram to Mr. Strathy, Vice President and Secretary, Federal Reserve Bank of Richmond, reading as follows:

"Reurtel today, Board has approved effective January 23, 1953, rates of 2 per cent on discounts and advances to member banks under Sections 13 and 13a; 2-1/2 per cent on advances under Section 10(b); and 3 per cent on advances to individuals, partnerships, or corporations other than member banks under last paragraph of Section 13. Otherwise, Board approves establishment, without change, of rates of discount and purchase in Bank's existing schedule."

Approved unanimously.

Telegram to Mr. Gilbert, President, Federal Reserve Bank of Dallas, reading as follows:

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"Reurtel today, Board has approved effective January 23, 1953, rates of 2 per cent on discounts and advances to member banks under Sections 13 and 13a; 2-1/2 per cent on advances under Section 10(b); 3 per cent on advances to individuals, partnerships, or corporations other than member banks under last paragraph of Section 13; and 3 to 5-1/2 per cent on loans under Section 13b direct to industrial or commercial businesses including loans made in participation with financing institutions. Otherwise, Board approves establishment, without change, of rates of discount and purchase in Bank's existing schedule."

Approved unanimously.

Memorandum dated January 12, 1953, from Mr. Sloan, Director, Division of Examinations, recommending the appointment of Eugene W. Lowe as Assistant Federal Reserve Examiner in that Division on a temporary indefinite basis, with basic salary at the rate of \$3,410 per annum, and with official headquarters in Washington, D. C., effective as of the date upon which he enters upon the performance of his duties after having passed the usual physical examination and subject to the completion of a satisfactory employment investigation.

Approved unanimously.

Memorandum dated January 16, 1953, from Mr. Carpenter, Secretary of the Board, recommending that the temporary appointment

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of Gladys I. Trimble, File Clerk in that Division, be extended on a temporary indefinite basis, with no change in her present basic salary at the rate of \$3,030 per annum, effective January 22, 1953.

Approved unanimously.

Memoranda dated January 7, 1953, from Mr. Young, Director, Division of Research and Statistics, recommending that Messrs. Reavis Cox, Albert Haring, Raymond J. Saulnier, Duncan M. Holthausen, Morris A. Copeland, and James H. Lorie be retained as consultants to the Division of Research and Statistics during the year 1953 on a temporary contractual basis, with compensation at the rate of \$50 per day for each day worked for the Board, either in Washington, D. C., or outside the city, plus actual necessary transportation expenses in accordance with the Board's travel regulations applicable to assistant division directors and a per diem in lieu of subsistence of \$15 while in travel status in connection with their duties as consultants. The memoranda stated that Messrs. Cox, Haring, Saulnier, and Holthausen would be used in connection with the consumer credit series revision, Mr. Copeland in connection with the moneyflows study, and Mr. Lorie in

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connection with the consumer finances basebook and related problems. The memoranda also stated that, for purposes of travel, official headquarters for Messrs. Cox, Haring, Saulnier, and Holthausen would be the same as established in connection with their retention as consultants in 1952, while official headquarters for Messrs. Copeland and Lorie would be Ithaca, New York, and Chicago, Illinois, respectively.

1/22/53 John Approved unanimously.

Memorandum dated January 13, 1953, from Mr. Bethea, Director, Division of Administrative Services, recommending that Ruth Hadley Goodyear, Secretary in the Office of the Secretary, be transferred to the Division of Administrative Services as Secretary, with no change in her present basic salary at the rate of \$3,785 per annum, effective January 19, 1953. The memorandum also stated that the Secretary's Office was agreeable to this transfer.

Approved unanimously.

Memoranda recommending that the basic annual salaries of the following employees be increased in the amounts indicated, effective February 1, 1953:

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<u>Date of Memorandum</u>	<u>Name and Title</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
<u>Memoranda from Mr. Young, Director, Division of Research and Statistics</u>			
1/8/53	Alvern H. Sutherland, Chief Librarian	\$6,940	\$7,240
1/8/53	Helen R. Dyer, Librarian	4,955	5,185
1/12/53	Cecil Melanson, Draftsman	3,430	3,575

Memorandum from Mr. Leonard, Director,
Division of Bank Operations

1/9/53	John N. Kiley, Jr., Technical Assistant	6,940	7,240
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Memorandum from Mr. Bethea, Director,
Division of Administrative Services

1/13/53	John Kakalec, Accountant	4,580	5,060
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Approved unanimously.

Memorandum dated January 9, 1953, from Mr. Sloan, Director, Division of Examinations, recommending an increase in the basic salary of Paul D. Ring, Assistant Federal Reserve Examiner in that Division, from \$3,410 to \$3,795 per annum, effective March 1, 1953.

Approved unanimously.

Memorandum dated January 15, 1953, from Mr. Carpenter, Secretary of the Board, recommending that the resignation of Mary L. McIntosh, File Clerk in that Division, be accepted, to be

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effective, in accordance with her request, at the close of business January 15, 1953.

Approved unanimously.

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

"In accordance with the request contained in your letter of January 13, 1953, the Board approves the designation of R. M. McEllen and Frank Morast as special assistant examiners for the Federal Reserve Bank of Atlanta, for the specific purpose of rendering assistance in the examination of State member banks only."

Approved unanimously.

Letter to Mr. Peterson, Vice President, Federal Reserve Bank of St. Louis, reading as follows:

"In accordance with the request contained in your letter of January 15, 1953, the Board approves the designation of Edward R. Schott as a Special Assistant Examiner for the Federal Reserve Bank of St. Louis."

Approved unanimously.

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

"In accordance with the request contained in your letter of January 9, 1953, the Board of Governors approves the payment of salaries to Miss Marjorie Hansen, Head Office, and Mr. John R. Snow, Denver Branch, at the

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"rates of \$4,380 and \$4,224 per annum, respectively, which exceed the maximum established for your Grade 6, the grade in which their positions are classified.

"As you know, because of the 35 per cent salary range, the payment of salaries in excess of grade maximums indicates that these salaries materially exceed salaries paid for similar positions in the area. This practice is inconsistent with the underlying principles of the personnel classification plan and, if followed, creates situations under which other inequities develop. In the circumstances, it has been the Board's policy to encourage the Reserve Banks to follow as closely as possible the salary limitations established for the various grades. It is recognized, of course, that circumstances, such as long faithful service, may warrant some deviation from this policy in individual instances.

"In the present cases, it is noted that, due to the recently approved increase in your salary structure, the amounts in excess of the grade maximum will be reduced and the Board hopes that this trend will continue to the extent that, within a reasonable period, the salaries of these employees will fall within the prescribed grade limitations."

Approved unanimously.

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

"As recommended in your letter of January 9, 1953, the Board of Governors has extended to June 30, 1953, the time within which The County Trust Company, White Plains, New York, may establish a branch on South Fulton Avenue, Mount Vernon, New York."

Approved unanimously.

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Letter to the Board of Directors, The Commercial Bank of Oregon, Hillsboro, Oregon, reading as follows:

"Pursuant to your request submitted through the Federal Reserve Bank of San Francisco, the Board of Governors of the Federal Reserve System approves the establishment and operation of a branch at the southwest corner of Third and Oak Streets, Hood River, Oregon, by The Commercial Bank of Oregon, Hillsboro, Oregon, provided that capital accounts of the bank are increased in the amount of \$200,000 through the sale of additional capital stock, and the branch is established within six months from the date of this letter."

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

Letter to Mr. Berge, Secretary and Assistant Counsel,
Federal Reserve Bank of Boston, reading as follows:

"This is in reply to your letter of January 2, 1953 to the Board's General Counsel, Mr. George B. Vest, in which you refer to the request from a Boston bank, which was signatory to the certificate of organization of the Federal Reserve Bank of Boston, for advice as to whether it could properly include in its advertising 'Charter Member Federal Reserve System'.

"As you know, when the Federal Reserve Banks were organized, five banks in each District were designated by the Organization Committee, in accordance with section 4 of the Act, to execute the organization certificate of the Reserve Bank which was required by the law to state that such certificate was made to enable, not only the five banks executing it, but also all banks which had subscribed or might thereafter subscribe to the capital stock of such Federal Reserve Bank to avail themselves of the advantages of this

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"Act. Thus, not only the signatory banks, but also all other banks which had subscribed to the Federal Reserve Bank stock prior to the opening of the Reserve Bank might regard themselves as being 'charter members' of the System.

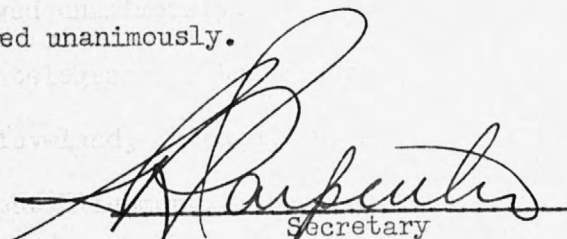
"In any event, the Board would not look with favor upon any bank's advertising itself to be a 'charter member' of the Federal Reserve System. The privileges and benefits of membership extend equally to all member banks irrespective of the date of their admission to membership. The use by any member bank of the advertising here suggested might easily give rise to the erroneous impression that such bank enjoyed rights or privileges greater than those possessed by banks which joined the System after its organization. To the extent that the public might be misled by such advertising, it is possible that the advertising bank might obtain an unwarranted competitive advantage."

Approved unanimously.

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

"Board interposes no objection to purchase at not to exceed \$400,000 property adjoining property of Denver branch, as recommended by Directors of branch and authorized by your Board of Directors, as described in your letter of January 16, 1953."

Approved unanimously.


Secretary