

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, March 13, 1953. The Board met in the Board Room at 10:00 a.m.

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

Mr. Carpenter, Secretary
 Mr. Sherman, Assistant Secretary
 Mr. Riefler, Assistant to the Chairman
 Mr. Marget, Director, Division of International Finance
 Mr. Youngdahl, Assistant Director, Division of Research and Statistics
 Mr. Leach, Chief, Government Finance Section, Division of Research and Statistics

The following request for travel authorization was presented:

<u>Name and Title</u>	<u>Duration of Travel</u>
G. L. March, Telegraph Operator, Division of Administrative Services	March 15 - 20, 1953

To travel to Chicago to attend classes as a part of the training program to be conducted by the American Telephone and Telegraph Company in connection with the installation of the 81-D-1 Teletype-writer System for the Federal Reserve Leased Wire in mid-1953.

Approved unanimously.

Chairman Martin stated that it was expected that Philip Young, Class C director of the Federal Reserve Bank of New York, would tender his resignation shortly in view of his contemplated appointment as Chairman of the Civil Service Commission. As a possible successor to Mr. Young, Chairman Martin mentioned the name of Irving S. Olds, discussed

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at the meeting on December 29, 1952. He stated that while Mr. Olds had resumed a connection with a law firm since his retirement as Chairman of the Board of United States Steel Corporation, he felt Mr. Olds would not be very active in legal work and that if appointed he would give considerable time to and take an active interest in his duties as a director of the New York Bank. Chairman Martin also mentioned Mr. Olds age, 66, adding the comment that if he were appointed he would expect Mr. Olds to serve only one three-year term.

All of the members who were present expressed themselves as favoring the appointment of Mr. Olds upon receipt of Mr. Young's resignation, if it was ascertained that the former would accept.

There was presented a draft of letter addressed to the Presidents of all Federal Reserve Banks and accompanying statement on "Risk Exposure in Instalment Financing" which had been revised in the light of the discussion at the meeting yesterday. The draft of letter read as follows:

"Information which has been brought to the attention of the Board of Governors with regard to credit risks to which member banks might be exposed in the field of instalment credit is discussed in the attached memorandum. It is suggested that the memorandum be brought to the attention of your examiners with a further reference to the recommendations of the Board as to minimum standards for instalment paper as set forth in the appendix to Regulation A (FRS #1051).

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"Copies of the memorandum have been sent to the Comptroller of the Currency and the Federal Deposit Insurance Corporation with the suggestion that they consider the advisability of placing it in the hands of their examiners. A supply of the memorandum and of this letter is being sent to you under separate cover."

Governor Robertson stated that in addition to transmitting the statement to the Reserve Banks, he felt it would be desirable to send copies to the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation.

Governor Mills suggested that copies of the statement be transmitted by Governor Robertson to Mr. Jennings, Acting Comptroller of the Currency, and Mr. Harl, Chairman of the Federal Deposit Insurance Corporation, informally.

Thereupon, the letter to the Presidents of the Federal Reserve Banks as set forth above was approved unanimously, with the understanding that Governor Robertson would send copies of the statement to Messrs. Jennings and Harl in accordance with the suggestion made by Governor Mills.

Chairman Martin then called upon Mr. Marget for a review of the recent gold outflow and of the prospects for a continuation of the gold movement. Following Mr. Marget's statement and a discussion of the comments he had made, Chairman Martin called upon Mr. Youngdahl

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who gave a brief review of recent informal discussions related to the possible use of approximately \$1 billion of "free" gold in the Treasury's general balance to retire debt, and to possible Treasury financing as it might relate to the Government securities market.

During the discussion of Mr. Youngdahl's comments, Chairman Martin suggested that the Board should have a full discussion of the discount rates of the Federal Reserve Banks at an early meeting.

At this point Messrs. Riefler, Marget, Youngdahl, and Leach withdrew from the meeting.

Governor Mills presented a draft of letter to Mr. H. Eliot Kaplan, Chairman, Committee on Retirement Policy for Federal Personnel, Executive Office of the President, Washington, D. C., reading as follows:

"This is in response to your letter of February 25, 1953, regarding the study of retirement systems for Federal personnel. The following comments are numbered to correspond to the second set of numbered paragraphs in your letter.

"(1) The Board of Governors, existing as it does in a community of Government departments and agencies, must take cognizance of the benefits, both retirement and otherwise, offered to other Government employees. Any material change in retirement benefits would have no direct effect but would require a reappraisal of benefits provided Board employees.

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"Since none of our employees would be classified as being in hazardous occupations or similar special groups, we have had no reason to consider the granting of special benefits in such cases.

"The method and cost of funding a retirement system are matters which are principally in the area of actuarial science and, therefore, requires skilled advice. Keeping a retirement system fully funded would appear to be almost an obligation of any employer to his employees. Many industrial employers do not require employees to share in the cost of their retirement plans. There are good reasons, however, for having employees contribute of their own funds. Not the least of these is the proprietary interest thus created.

"(2) Since none of the proposed legislative changes would have a direct effect upon our own retirement benefits, the Board has not been particularly interested in any specific proposals.

"(3) The study of retirement benefits must of necessity be conducted with full consideration of the other direct and indirect compensations arising out of employment. Only when it is considered in the framework of salary, leave, workmen's compensation, and other benefits is the proper perspective achieved.

"One area of inquiry which perhaps should be included in the scope of the study is that of the conflicting philosophies of the Social Security and the Civil Service retirement systems. Under the former, there is no substantial increment of benefits for increasing years of service, while under the latter the amount of service rendered is one of its prime annuity determinants. This difference in approach has resulted in higher benefits for short-service employees, who are subject to the Social Security Act. This difference in approach also makes any plan for integrating the two systems a difficult one to work out.

"One of the difficulties in determining costs under the Civil Service System would appear to be the use of a stated formula for computing annuities without direct reference to the amount contributed by the employee. If this does prove to be a factor which unduly complicates the work of the actuary, thought should be given to the use of some type of annuity purchase plan, because such a plan would reduce materially the problem of cost projection.

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"The procedure in carrying out the work of the Committee should perhaps include personal conferences with technical and policy personnel in departments and agencies of the Government.

"It is difficult to state precisely the extent of the contribution which the Board's staff can make to the fact-finding and analysis of the project. You may be assured, however, that whenever consistent with the Board's workload we shall be more than glad to assist your Committee.

"(4) We have made no studies or reports on retirement matters which would be of benefit to the Committee in its work.

"Because of the many ramifications of the project of the Committee, it is difficult, as I am sure you can appreciate, to cover in writing all the aspects of retirement benefits. However, I hope this letter is along the lines that you visualized and will be of some help to you."

Following a discussion, the letter was approved unanimously.

The meeting then adjourned. During the day the following additional actions were taken by the Board, with all of the members except Governors Szymczak and Vardaman present:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on March 12, 1953, were approved unanimously.

Telegrams to the Federal Reserve Banks of New York, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, Dallas, and San Francisco stating that the Board approves the establishment without change by the Federal Reserve Bank of San Francisco on March 10, and by the Federal Reserve Banks of New York, Cleveland,

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Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, and Dallas on March 12, 1953, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Memorandum dated March 4, 1953, from Mr. Young, Director, Division of Research and Statistics, recommending the appointment of Richard C. Pickering as Economist in that Division, on a temporary indefinite basis, with basic salary at the rate of \$5,185 per annum, 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 March 9, 1953, from Mr. Young, Director, Division of Research and Statistics, recommending the appointment of Abigail Banghart as Clerk-Stenographer in that Division, on a temporary indefinite basis, with basic salary at the rate of \$3,255 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed the usual physical examination and subject to the completion of a satisfactory employment investigation.

Approved unanimously.

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Memorandum dated March 6, 1953, from Mr. Bethea, Director, Division of Administrative Services, recommending the appointment of Siddie Gray Talley as Cafeteria Helper in that Division, on a temporary basis for a period of two months, with basic salary at the rate of \$2,420 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed the usual physical examination and subject to the completion of a satisfactory employment investigation.

Approved unanimously.

Memorandum dated March 11, 1953, from Mr. Bethea, Director, Division of Administrative Services, recommending the appointment of Wanda H. Herbough as Operator (Tabulating Equipment) in that Division, on a temporary basis for a period of six months, with basic salary at the rate of \$3,410 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed the usual physical examination and subject to the completion of a satisfactory employment investigation.

Approved unanimously.

Memorandum dated March 2, 1953, from Mr. Bethea, Director, Division of Administrative Services, recommending that the temporary appointment of Kathryn H. Fortunato, Clerk-Typist in that Division,

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be extended on a temporary indefinite basis without change in her present salary of \$2,750 per annum.

Approved unanimously.

Memorandum dated March 2, 1953, from Mr. Bethea, Director, Division of Administrative Services, recommending that the temporary appointment of Florence A. Norman, Cafeteria Helper in that Division, be extended on a temporary indefinite basis without change in her present salary of \$2,430 per annum.

Approved unanimously.

Memoranda recommending that the basic annual salaries of the following employees be increased in the amounts indicated, effective March 15, 1953:

<u>Date of Memorandum</u>	<u>Name and Title</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
	<u>Memorandum from Mr. Carpenter, Secretary of the Board</u>		
2/26/53	Ruth W. Franta, Supervisor, Bank and Miscellaneous Records	\$3,575	\$3,660
	<u>Memoranda from Mr. Young, Director, Division of Research and Statistics</u>		
3/3/53	Mona E. Dingle, Economist	6,140	7,040
3/9/53	Helen Grunwell, Chief Draftsman	5,310	5,435
	Helen Lupton, Assistant Chief Draftsman	4,830	4,955
	Mary P. McCormick, Draftsman-Illustrator	4,330	4,455
	Elizabeth N. Tyson, Library Assistant	3,335	3,415
3/10/53	Paul F. Smith, Economist	5,940	7,040

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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>Memorandum from Mr. Noyes, Assistant Director, Division of Research and Statistics</u>		
3/12/53	Charles A. Yager, Economist	\$5,060	\$5,185
	<u>Memorandum from Mr. Marget, Director Division of International Finance</u>		
3/4/53	Dorothy Grifasi, Clerk-Stenographer	3,495	3,660
	<u>Memorandum from Mr. Sloan, Director, Division of Examinations</u>		
2/12/53	J. E. McGeary, Assistant Federal Reserve Examiner	6,125	6,250
	<u>Memorandum from Mr. Leonard, Director, Division of Bank Operations</u>		
3/5/53	E. Ralph Massey, Technical Assistant	7,240	7,440
	<u>Memorandum from Mr. Allen, Director, Division of Personnel Administration</u>		
2/16/53	Ruby M. Zacharay, Clerk	3,030	3,110
	<u>Memoranda from Mr. Bethea, Director, Division of Administrative Services</u>		
2/16/53	Donald W. Moon, Clerk	3,910	4,035
	Carl J. Steger, General Mechanic	3,735	3,835
	Saul Clanton, Assistant Gardener	2,632	2,712

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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. Bethea, Director, Division of Administrative Services</u>		
2/16/53	Shirley S. Corbin, Charwoman	\$2,420	\$2,490
2/16/53	Bruce M. Unger, Sergeant-Guard	3,680	3,760
	Robert L. Piper, Operator (Mimeo.)	3,032	3,112
	Clara R. Cooke, Charwoman	2,840	2,910

Approved unanimously.

Memorandum dated March 2, 1953, from Mr. Marget, Director, Division of International Finance, recommending that Anne S. Temple, Clerk in the Division of Examinations, be transferred to the Division of International Finance as Research Assistant, with no change in her present basic salary of \$3,660 per annum, effective as of the date agreeable to both divisions shortly after approval by the Board. The memorandum also stated that the Division of Examinations was agreeable to this transfer.

Approved unanimously.

Memorandum dated March 4, 1953, from Mr. Marget, Director, Division of International Finance, recommending that Dorothy Hurst, Stenographer in the Division of Administrative Services, be transferred to the Division of International Finance as Clerk-Stenographer, and

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that her salary be increased from \$3,575 to \$3,660 per annum, effective as of the date she enters upon the performance of her new duties. The memorandum also stated that the Division of Administrative Services was agreeable to this transfer.

Approved unanimously.

Letter to Mr. Roger Steffan, Special Assistant to The Assistant to the President, The White House, Washington, D. C., reading as follows:

"In accordance with your request of March 7, 1953, the Board of Governors has approved, on a reimbursable basis, the detail to the White House Office of Mr. Thomas N. Buckley, Telegraph Operator, effective March 2, 1953.

"It is understood that as soon as the necessary clearances have been completed, Mr. Buckley will be placed on the rolls of your office."

Approved unanimously.

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

"The Board of Governors, after consideration of the information contained in your letter of March 5, 1953, and enclosure therewith, hereby gives its prior consent to the retirement of local preferred stock having a par value of \$2,500 at its retirable value of \$12,500 by the Citizens State Bank of Cape Vincent, Cape Vincent, New York. Please advise the bank of the Board's action."

Approved unanimously.

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Letter to The Honorable Joseph M. Dodge, Director, Bureau of the Budget, Washington, D. C., reading as follows:

"This refers to your letter of February 27, 1953, with which you enclosed 5 copies of a draft Executive Order relating to security standards for employment in the departments and agencies of the Federal Government.

"Our examination of the draft has involved primarily a review of its broad purpose and objectives and a comparison thereof with those of the present Loyalty Program of the Government. We note that the draft Order would be based on the Act of August 26, 1950, and we understand that in accordance with that statute an employee suspended under the Order would be entitled upon request to a hearing, to the extent permitted by security considerations, prior to the termination of his employment.

"Consideration of the draft has not brought to light any features of the program with respect to which we feel in a position to make helpful comments or offer suggestions. In this connection, we understand that consultations are being held with various interested agencies as to changes that might be desirable in the Order and that thought is being given to the issuance of supplementary material to implement any order that may be issued. The Board, of course, is sympathetic with the need for sound standards of employment in Government and, accordingly, as in the past, will exert every effort toward the accomplishment of objectives to that end.

"The opportunity to comment on the draft Order in question is appreciated."

Approved unanimously.

Letter to Mr. Roger W. Jones, Assistant Director, Legislative Reference, Bureau of the Budget, Washington, D. C., reading as follows:

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"This refers to your letter of March 4, 1953, requesting an expression of views with respect to a communication which the Reconstruction Finance Corporation proposes to send to the Senate Banking and Currency Committee regarding S. 476, a bill 'To grant succession to the War Damage Corporation'.

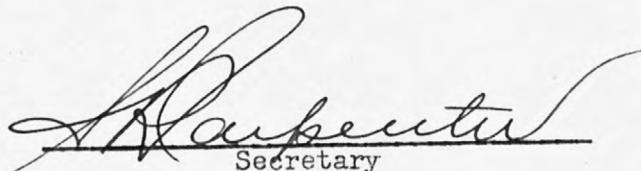
"The bill in question would attempt to provide a system of insurance or reinsurance to cover war damage to real or personal property, and also reinsurance against liability arising under Workmen's Compensation Acts or similar statutes in connection with enemy action.

"The proposed reply of the Reconstruction Finance Corporation expresses general approval of the bill, but suggests that the provisions regarding reinsurance of liabilities under Workmen's Compensation Acts and similar statutes be deleted because of the legal uncertainties involved. It also suggests certain technical amendments.

"As you know, one approach to the problem of war damage assumes that the risk is so great that it is not subject to ordinary insurance principles, and that such losses should be handled on some different basis. The opposite approach assumes that the risk is insurable, and that the early establishment of such a program of insurance, including the receipt of insurance premiums thereunder, would be helpful. Whatever the relative merits of those two viewpoints so far as the total problem is concerned, there may be some areas in which insurance could properly play a part.

"In the circumstances, the Board would see no objection to attempting to provide insurance in certain instances along the lines indicated in S. 476 and the proposed letter of the Reconstruction Finance Corporation. Such insurance probably would not be fully adequate for a war involving extensive devastation, but it might be able to serve a useful purpose if its limitations, and the continued existence of the broader problem, were clearly recognized."

Approved unanimously.


Secretary