

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, July 14, 1953. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman  
Mr. Szymczak  
Mr. Vardaman  
Mr. Mills  
Mr. Robertson

Mr. Carpenter, Secretary  
Mr. Sherman, Assistant Secretary  
Mr. Kenyon, Assistant Secretary  
Mr. Thurston, Assistant to the Board  
Mr. Riefler, Assistant to the Chairman  
Mr. Vest, General Counsel  
Mr. Sprecher, Assistant Director,  
Division of Personnel Administration  
Mr. Cherry, Legislative Counsel

Mr. Cherry presented a review of legislative developments of interest to the Federal Reserve System during which he commented on a request received from the Senate Banking and Currency Committee for a report on Bill S. 2332, cited as the "Gold Redemption Act of 1954" and introduced by Senator Bridges, of New Hampshire, which would provide for the coinage of gold and convertibility of currency into gold. Mr. Cherry said that he would send a memorandum on this matter to the members of the Board and that he would attempt to ascertain whether this was a request on which it would be necessary for the Board to make a report at this time.

There was a brief discussion of what position the Board might take with respect to proposed legislation following which it was understood that copies of the bill would be sent to the members of the Board for review preliminary to possible further consideration of the matter.

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Chairman Martin said that he had met with Messrs. Cravens, Administrator of the Reconstruction Finance Corporation, and Gidney, Comptroller of the Currency, one day last week at Mr. Cravens' request to discuss a proposal on which Mr. Cravens had been working with commercial banks for disposal of certain assets in the portfolio of the Reconstruction Finance Corporation. Chairman Martin said he told Mr. Cravens that Mr. Vest would be glad to work with Mr. Craven's assistant, Mr. Robert Neill, on the legal aspects of the matter. The principal difficulties involved, Chairman Martin said, appeared to be the matter of public relations and legal authority for carrying out the proposal.

Chairman Martin then called upon Mr. Vest who said that yesterday morning Mr. Neill sent to him copies of a confidential memorandum prepared by Mr. Dreibelbis, Vice President of the Bankers Trust Company of New York outlining the proposal from the standpoint of the commercial banks. Shortly thereafter Mr. Neill called him on the telephone and in the course of a long conversation referred to the fact that Mr. Cravens and Secretary of the Treasury Humphrey had been testifying before the Senate Banking and Currency Committee yesterday morning in favor of the creation of a Small Business Administration of the type provided in the bill recently passed by the House and that the bill, if enacted, should provide for the liquidation of the Reconstruction Finance Corporation promptly. Senator Capehart, Chairman of the Banking and Currency Committee, had indicated that the hearings were completed following the testimony yesterday, but that the

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record would be held open until this evening so that the Reconstruction Finance Corporation or anyone else interested might put in additional statements. Mr. Cravens was considering what, if anything, to put in the record about the possibility of selling the Corporation's loans to a syndicate of commercial banks and also whether some legislation should be drafted to authorize that step. The Banking and Currency Committee was to meet in executive session Thursday morning to consider what recommendations it would make and therefore any legislative proposal must be sent to the Committee very quickly, preferably today.

The legal situation, Mr. Vest said, was that if the loans were sold to a syndicate of commercial banks there would be some secured by real estate and under the law national banks may not purchase participations so secured. The alternative method would be to organize a corporation to take over certain assets of the Reconstruction Finance Corporation and issue participations to the various banks in the syndicate, but again there was a legal problem because member banks of the Federal Reserve System may not acquire stock in such a corporation. Mr. Vest said that Mr. Neill asked the Board's staff to help in drafting such legislation and that thereafter Mr. Neill and Mr. Cravens inquired whether there would be objection on the part of the Board to such legislation being enacted by the Congress. When Mr. Vest stated that the matter had not been presented to the Board and he did not know how the Board would feel on this, Mr. Cravens said he would like to have

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some idea of the Board's views today if possible.

Mr. Vest then summarized and read portions of the memorandum from Mr. Dreibelbis, which was prepared in the light of discussions between a group of commercial bankers and representatives of the Reconstruction Finance Corporation.

Mr. Vest also referred to a letter just received from Mr. Cravens enclosing a draft of legislative proposal which would make it possible for member banks to purchase stock in the contemplated corporation which would take over certain assets of the Reconstruction Finance Corporation. The letter requested an expression of the Board's views concerning the legislative proposal today prior to its submission to the Senate Banking and Currency Committee.

There followed a general discussion of the matter and it was the consensus that the Board should have no part in a decision by the Reconstruction Finance Corporation as to whether the proposal for sale of the Corporation's loans to commercial banks should be suggested to the Congress, the view being expressed that there might be serious disadvantages in such a method of liquidation from the standpoint of public relations and the role of the participating commercial banks. It was also the consensus that although there would be no objection to the Board's staff assisting with the preparation of legislation which would permit member banks to participate, it should be clearly understood that the staff was offering technical



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assistance only and that the Board was reserving the right to oppose such legislation if introduced in the Congress.

It was agreed that Chairman Martin would say to Mr. Cravens that while the Board was sympathetic to the problem with which he was confronted, the Board was not prepared to take a positive position on any legislation that might be introduced and would want to reserve the right to oppose it in the event the Board were asked for its views. It was also agreed that Mr. Vest might offer to assist Mr. Neill with the technical wording of the legislative proposal submitted with Mr. Cravens' letter provided he made it clear to Mr. Neill that extending such assistance did not indicate agreement on the part of the Board with the legislation.

At this point Messrs. Thurston, Riefler, Vest, and Cherry withdrew from the meeting.

Prior to this meeting there had been sent to the members of the Board copies of a letter dated July 9, 1953, from Mr. Fulton, President of the Federal Reserve Bank of Cleveland, stating that the Bank's directors at their meeting that day had accepted the resignation of Wilbur T. Blair as Vice President of the Bank in charge of the Cincinnati Branch effective July 15, 1953, and had appointed R. G. Johnson, presently Cashier of the Branch, as Vice President to succeed Mr. Blair; P. J. Geers, presently Assistant Cashier, as Cashier; and John Biermann, Jr., presently Manager of the Fiscal Agency Department, as Assistant Cashier, all effective

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July 16. Mr. Fulton's letter requested approval of the payment of salaries to Messrs. Johnson, Geers, and Biermann at the rates of \$16,500, \$12,500, and \$8,000 per annum, respectively, for the period July 16 through December 31, 1953.

There had also been sent to the members of the Board copies of a memorandum dated July 13, 1953, from the Division of Personnel Administration commenting on the matter, particularly the relationship of the proposed salaries to the salary ranges for officers which might be established by the Cleveland Bank in the light of the Board's action on July 9 which fixed a maximum of \$20,000 for the salaries of the highest group of officers below the level of President and First Vice President.

During a discussion it was pointed out that with the maximum fixed by the Board, the minimum of the salary range for the highest group of officers presumably would be set by the Reserve Bank at about \$13,500, that the proposed salary for Mr. Johnson would represent a \$6,000 increase over his current salary, and that the proposed salary would probably place him well beyond the minimum for the highest group of officers. The view was expressed that ordinarily the new salary plan would contemplate officers advanced to a higher group being compensated initially at a salary at or near the minimum of the higher group.

In the circumstances, it was agreed unanimously that no action on the proposed salaries for Messrs. Johnson, Geers, and Biermann should

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be taken at this time, and that Mr. Fulton should be advised informally that the Board would like to have the salaries reconsidered in the light of the ranges of salaries for the various groups of officers which might be determined by the Reserve Bank under the maximum of \$20,000 fixed by the Board.

Chairman Martin stated that the above-mentioned matter highlighted the desirability of the Board's having discussions with the President of each Federal Reserve Bank concerning their management problems. In response to a question as to whether it would be desirable to have such discussions with the Chairman and the President of each Bank, Chairman Martin said that in his opinion it might be better to have the Chairman and the President meet with the Board on separate occasions so as to have the benefit of the opinions of each of them.

Governor Mills reported a telephone conversation yesterday with Mr. Neely, Chairman of the Federal Reserve Bank of Atlanta, who had received the Board's letter of July 10, 1953, approving minimums and maximums for the officer salary groups at the Atlanta Bank and inquired whether the Board would proceed promptly to consider the salaries for individual officers which were also proposed in President Bryan's letter of July 8 submitting the suggested salary ranges.

The matter was discussed on the basis of whether the Board should act on individual officers' salaries at the respective Reserve Banks as

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received or whether it would be desirable to wait until all of the Banks had submitted their lists of proposed salaries so that the requests of all of the Banks might be considered together. During the discussion the question also was raised as to whether the individual salaries, when approved by the Board, should be made retroactive to July 1, 1953, the date on which it was originally contemplated that salaries under the new officers' salary administration plan would become effective.

At the conclusion of the discussion, it was agreed unanimously that the Board would consider the proposed salaries for officers of the Federal Reserve Bank of Atlanta at its meeting tomorrow on the basis of information to be compiled by the Division of Personnel Administration. It was also agreed that the Board would follow the practice of approving individual salaries submitted by the Reserve Banks under the new plan of officers' salary administration effective for the pay roll period beginning nearest to the date on which approval was given by the Board.

Thereupon the meeting adjourned. During the day the following additional actions were taken by the Board with all of the members except Governor Evans present:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on July 10, 1953, were approved unanimously.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on July 13, 1953, were approved and the actions recorded therein were ratified unanimously.



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Memorandum dated July 9, 1953, from Mr. Young, Director, Division of Research and Statistics, recommending that the resignation of Charles H. Schmidt, Chief, Business Finance and Capital Markets Section in that Division, be accepted effective August 14, 1953.

Approved unanimously.

Letter to Mr. Diercks, Vice President, Federal Reserve Bank of Chicago, reading as follows:

"In accordance with the request contained in your letter of July 6, 1953, addressed to Mr. Sloan, the Board approves the designation of Robert C. Burton as a special assistant examiner for the Federal Reserve Bank of Chicago."

Approved unanimously.

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

"The Senate Banking and Currency Committee has requested the Board of Governors to submit a report on S. 2069, a bill 'To amend the Federal Reserve Act so as to authorize national banking associations to make loans on forest tracts.'

"Enclosed are four copies of a report which the Board proposes to submit to the Committee. Please advise us as to the relationship of this legislation to the program of the President."

Approved unanimously, with the understanding that the letter would be transmitted to Senator Capehart

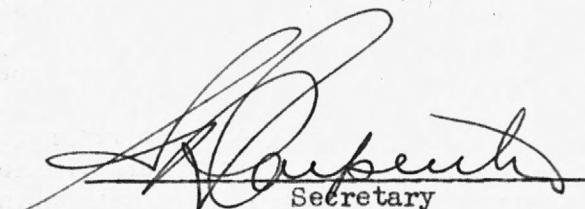
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upon receipt of advice from the Bureau  
of the Budget as to the relationship  
of the legislation to the program of  
the President.

PRESENT: Mr. Martin  
Mr. Brown  
Mr. Hill  
Mr. Roberts

Mr. [unclear]  
Mr. [unclear]  
Mr. [unclear]  
Mr. [unclear]

  
Secretary

Governor [unclear] [unclear]  
that [unclear] [unclear] [unclear]  
of the Federal Reserve Bank of [unclear]  
the Bank had not made [unclear] [unclear]  
and personnel which had [unclear] [unclear]  
Board on September 9, September [unclear]  
were referred to in a memorandum [unclear]  
dated under date of September [unclear]  
problem with President [unclear] [unclear]  
and right on to say that [unclear] [unclear]  
ing on the management problem [unclear]  
appropriate time the latter [unclear]  
[unclear] and Chairman Hall of the [unclear]