

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, July 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. Carpenter, Secretary  
Mr. Sherman, Assistant Secretary  
Mr. Thurston, Assistant to the Board  
Mr. Vest, General Counsel  
Mr. Sprecher, Assistant Director, Division of Personnel Administration  
Mr. Cherry, Legislative Counsel

Reference was made to a memorandum from Mr. Boothe, Administrator, Office of Defense Loans, dated July 16, 1953, with respect to H. R. 5141, a bill cited as the Small Business Act of 1953. The memorandum, copies of which had been distributed before this meeting at Governor Vardaman's request, noted that under the bill the Federal Reserve Banks would be authorized and directed to act as depositaries, custodians, and fiscal agents in the general performance of the administration's powers, and suggested that the Board consider the feasibility of handling the operation as the V-loan program is being handled, namely through the Board's Office of Defense Loans and the credit departments of the Federal Reserve Banks.

Governor Mills stated that he did not understand a comment in Mr. Boothe's memorandum to the effect that without Board supervision the performance of depositary, custody, and fiscal agency functions by the Federal

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Reserve Banks might lead to confusion and misunderstanding, since it had been clearly brought out in Chairman Martin's testimony and in the reports of both the House and Senate Banking and Currency Committees in connection with this bill that the functions of the Federal Reserve Banks were to be limited to routine matters and were not to include the performance of acts requiring the exercise of judgment with respect to whether loans should be made.

Governor Vardaman stated that the memorandum had been sent to the members of the Board for their information, and he suggested that Mr. Boothe be asked to comment upon its content.

At this point Mr. Boothe, Administrator, Office of Defense Loans, entered the room.

In response to Chairman Martin's request, Mr. Boothe said that the status of the legislation was recently brought to his attention by Mr. Kendall, General Counsel, Office of Defense Mobilization, who had inquired as to the Board's attitude toward being brought into the picture. While he informed Mr. Kendall that he had not heard this matter discussed, Mr. Boothe stated that it had occurred to him that there might be unfortunate developments if the Reserve Banks were to perform the fiscal agency function without having the Board in the picture in a way in which it could direct the activity.

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In response to Governor Mills' question as to what basis Mr. Boothe had for feeling that the Small Business Administration Act would ask the Federal Reserve Banks to perform any acts other than those of depository, custodian, and fiscal agent, Mr. Boothe stated that he was under the impression the Reserve Banks might be asked to participate in the program in other ways.

Mr. Cherry commented on the testimony given by Chairman Martin on May 20 when he appeared before the Senate Banking and Currency Committee at which time the Chairman said that, if the Federal Reserve Banks were to act as fiscal agents for the proposed Small Business Administration, he would like, as far as possible, not to have that relationship diffused by the exercise of judgment as to credit responsibility. Mr. Cherry also read excerpts from the reports of the House and Senate Banking and Currency Committees with respect to this legislation. The House Report stated that "it is not intended that the Federal Reserve Banks make loans or perform other acts requiring the exercise of judgment with respect to financial transactions of the Administration", and the Senate Report stated that "it is not expected that as fiscal agents for the Small Business Administration, Federal Reserve Banks shall be required to make recommendations regarding loan applications or perform other acts requiring the exercise of judgment as to whether loans should be made on behalf of the Small Business Administration."

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During the ensuing discussion, Mr. Vest stated that the provision in the bill authorizing and directing the Federal Reserve Banks to act as depositaries, custodians, and fiscal agents for the Small Business Administration was essentially the same as the provisions in other statutes authorizing the Reserve Banks to perform similar functions for various Government agencies.

In the course of the discussion, Chairman Martin stated that while no action was called for at this time, the Board should be alert to any developments which would indicate any tendency to have the scope of activities of the Federal Reserve Banks as fiscal agents go beyond the functions indicated in his testimony before the Senate Banking and Currency Committee and in the reports of both the House and Senate Banking and Currency Committees referred to above.

Messrs. Boothe and Cherry withdrew from the meeting at this point.

Copies of letters from the Federal Reserve Banks of Philadelphia, Richmond, Minneapolis, and San Francisco submitting proposed salaries for officers of those banks as fixed by the respective boards of directors for all officers other than the President and First Vice President, together with memoranda and charts prepared in the Division of Personnel Administration under date of July 21, 1953 commenting on the proposed salaries, had been distributed to the members of the Board before this meeting.



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Governor Szymczak stated that he had reviewed all of the proposed salaries, that in all cases they came well within the maxima of the ranges approved by the Board on July 9, 1953, and that he would recommend approval of the salaries as submitted.

Mr. Sprecher stated that he agreed with the statements and recommendations of Governor Szymczak, that the proposed salaries had been reviewed with the Board's consultant on the salary administration plan, that the view had been expressed that all proposed salaries were in satisfactory alignment with the ranges, and that their approval would present no difficulties from the standpoint of sound salary administration.

Following further discussion, unanimous approval was given to letters to Mr. Meinel, Chairman, Federal Reserve Bank of Philadelphia, Mr. Woodward, Deputy Chairman, Federal Reserve Bank of Richmond, Mr. Shepard, Chairman, Federal Reserve Bank of Minneapolis, and Mr. Wallace, Deputy Chairman, Federal Reserve Bank of San Francisco, reading as follows:

Letter to the Federal Reserve Bank of Philadelphia

"In accordance with your letter of July 16, 1953, the Board of Governors approves the following minimums and maximums for the officer salary groups at the Federal Reserve Bank of Philadelphia:

<u>Group</u>	<u>Minimum</u>	<u>Maximum</u>
A	\$14,000	\$20,000
B	12,000	17,000
C	9,500	13,500
D	8,000	11,000

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"The Board of Governors also has approved the payment of salaries to the following officers of the Federal Reserve Bank of Philadelphia, effective as of your established pay period beginning nearest July 22, through December 31, 1953, at the rates indicated, which are the rates fixed by the Board of Directors as reported in your letter:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
Karl R. Bopp	Vice President	\$18,500
Robert N. Hilkert	Vice President	18,000
E. C. Hill	Vice President	17,000
William G. McCreedy	Vice President and Secretary	16,000
P. M. Poorman	Vice President	17,000
Richard G. Wilgus	Cashier and Assistant Secretary	14,000
J. V. Vergari	Counsel and Assistant Secretary	15,000
Joseph R. Campbell	Assistant Vice President	10,000
W. M. Catanach	Assistant Vice President	12,000
Norman G. Dash	Assistant Vice President	11,000
G. J. Lavin	Assistant Vice President	12,000
E. A. Aff	Assistant Cashier	8,500
R. E. Haas	Assistant Cashier	8,500
Roy Hetherington	Assistant Cashier	10,000
H. J. Nelson	Assistant Cashier	9,000
Harry W. Roeder	Assistant Cashier	8,000
Z. G. Fenner	Chief Examiner	10,500
Evan B. Alderfer	Industrial Economist	12,000
Clay J. Anderson	Financial Economist	10,000
Fred A. Murray	Director of Plant	10,000
Hugh Barrie	Machine Methods Officer	9,000
Murdoch K. Goodwin	Assistant Counsel	10,000
H. B. Haffner	General Auditor	10,000

"No action has yet been taken by the Board of Governors with respect to changes in the salaries of the Presidents and First Vice Presidents of the Reserve Banks."

Letter to the Federal Reserve Bank of Richmond

"In accordance with your letter of July 14, 1953, the Board of Governors approves the following minimums and maximums for the officer salary groups at the Federal Reserve Bank of Richmond:

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<u>"Group</u>	<u>Minimum</u>	<u>Maximum</u>
A	\$14,000	\$20,000
B	11,500	15,500
C	9,000	12,500
D	7,500	10,000

"The Board of Governors also has approved the payment of salaries to the following officers of the Federal Reserve Bank of Richmond and its Branches, effective as of your established pay period beginning nearest July 22, through December 31, 1953, at the rates indicated, which are the rates fixed by the Executive Committee as reported in your letter:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
N. L. Armistead	Vice President	\$16,000
Aubrey N. Heflin	Vice President and General Counsel	15,000
Upton S. Martin	Vice President	13,600
R. W. Mercer	Vice President and Cashier	15,000
C. B. Strathy	Vice President and Secretary	15,000
K. Brantley Watson	Vice President	15,000
Chas. W. Williams	Vice President	14,000
J. Dewey Daane	Assistant Vice President	11,500
John L. Nosker	Assistant Vice President	10,600
J. M. Nowlan	Assistant Vice President	11,500
Thomas I. Storrs	Assistant Vice President	11,500
Jas. W. Dodd, Jr.	Assistant Cashier	10,000
H. E. Ford	Assistant Cashier	8,700
Robert G. Howard	Assistant Cashier	9,600
W. B. Wakeham	Assistant Cashier	8,800
Edw. Waller, Jr.	Assistant Cashier	9,000
G. Harold Snead	Chief Examiner	10,000
R. S. Brock, Jr.	General Auditor	12,500
<u>Baltimore Branch</u>		
D. F. Hagner	Vice President	16,000
A. A. Stewart, Jr.	Cashier	11,500
B. F. Armstrong	Assistant Cashier	8,300
A. C. Wienert	Assistant Cashier	8,800
<u>Charlotte Branch</u>		
R. L. Cherry	Vice President	16,000
S. A. Ligon	Cashier	12,000
R. L. Honeycutt	Assistant Cashier	8,500
E. C. Mondy	Assistant Cashier	8,200

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"No action has yet been taken by the Board of Governors with respect to changes in the salaries of the Presidents and First Vice Presidents of the Reserve Banks."

Letter to the Federal Reserve Bank of Minneapolis

"The Board of Governors has approved the payment of salaries to the following officers of the Federal Reserve Bank of Minneapolis and the Helena Branch, effective as of your established pay period beginning nearest July 22, through December 31, 1953, at the rates indicated, which are the rates fixed by the Board of Directors as reported in Mr. Powell's letter of January 22, 1953, and referred to in your letter of July 16, 1953:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
Oliver S. Powell	President	\$25,000
A. W. Mills	First Vice President	18,000
H. C. Core	Vice President	12,000
E. B. Larson	Vice President	12,000
H. G. McConnell	Vice President	16,000
J. Marvin Peterson	Vice President and Director of Research	13,000
Otis R. Preston	Vice President	16,000
M. H. Strothman, Jr.	Vice President	11,500
Sigurd Ueland	Vice President and Counsel	14,000
A. W. Johnson	Assistant Vice President	9,000
A. R. Larson	Assistant Vice President	9,000
O. W. Ohnstad	Assistant Vice President	9,000
C. Ries	Assistant Vice President	8,500
Clement Van Nice	Assistant Vice President	9,500
M. B. Holmgren	Assistant Cashier	7,500
John J. Gillette	Assistant Cashier	7,500
George M. Rockwell	Assistant Cashier	8,000
M. O. Sather	Assistant Cashier	7,500
M. E. Lysen	Operating Research Officer	10,000
Franklin L. Parsons	Associate Director of Re- search	10,500
Kyle K. Fossum	Auditor	8,000
<u>Helena Branch</u>		
C. W. Groth	Vice President	11,500
H. A. Berglund	Assistant Cashier	8,000"



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Letter to the Federal Reserve Bank of San Francisco

"In accordance with your letter of July 14, 1953, the Board of Governors approves the following minimums and maximums for the officer salary groups at the Federal Reserve Bank of San Francisco and its Branches:

<u>Group</u>	<u>Minimum</u>	<u>Maximum</u>
A	\$14,000	\$20,000
B	12,000	17,500
C	10,000	15,000
D	8,500	12,500
E	7,500	11,000

"The Board of Governors also has approved the payment of salaries to the following officers of the Federal Reserve Bank of San Francisco and its Branches, effective as of your established pay period beginning nearest July 22, through December 31, 1953, at the rates indicated, which are the rates fixed by the Board of Directors as reported in a separate letter from you, also dated July 14, 1953:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
E. R. Millard	Vice President	\$17,000
H. F. Slade	Vice President	17,000
Ronald T. Symms	Vice President and Cashier	13,000
O. P. Wheeler	Vice President	15,000
R. H. Morrill	Assistant Vice President	10,500
Eliot J. Swan	Assistant Vice President	12,000
J. L. Barbonchielli	Assistant Cashier	9,000
T. W. Barrett	Assistant Cashier	9,000
H. E. Hemmings	Assistant Cashier	9,000
R. C. Milliken	Assistant Cashier	9,000
G. D. Parker	Assistant Cashier	7,500 <del>/</del>
Albert H. Price	Assistant Cashier	7,500
E. H. Galvin	Chief Examiner	10,500
John A. O'Kane	General Counsel	14,000
H. Armstrong	General Auditor	11,500
<u>Los Angeles Branch</u>		
W. F. Volberg	Vice President	19,000
Fred C. Bold	Assistant Manager	14,000*
M. J. Davies	Assistant Manager	7,500
J. R. Robinson	Assistant Manager	8,500
W. J. Thomas	Assistant Manager	8,000
C. H. Watkins	Assistant Manager	10,500 <del>/</del>

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<u>"Name</u>	<u>Title</u>	<u>Annual Salary</u>
<u>Portland Branch</u>		
J. A. Randall	Vice President	\$14,000
D. E. Bent	Assistant Manager	10,000
C. H. Mercer	Assistant Manager	8,000
A. B. Merritt	Assistant Manager	8,500
<u>Salt Lake City</u>		
W. L. Partner	Vice President	15,000
E. R. Barglebaugh	Assistant Manager	10,500
A. L. Price	Assistant Manager	8,000
T. M. Simmons	Assistant Manager	7,500
<u>Seattle Branch</u>		
J. M. Leisner	Vice President	16,000
R. E. Everson	Assistant Manager	11,500
W. R. Sandstrom	Assistant Manager	8,500
D. E. Simms	Assistant Manager	9,000

✓ Also see paragraph below

\* Salary approved to  
September 1, 1953,  
date of retirement.

"The Board of Governors also approves the payment of salary to Mr. E. H. Galvin, Chief Examiner, as an officer of the Federal Reserve Bank of San Francisco at the rate of \$9,180 per annum, for the period July 1, 1953, to the beginning of the pay period starting nearest July 22.

"The Board of Governors also approves the payment of salaries to the following officers assigned to the Los Angeles Branch, effective September 1, 1953, through December 31, 1953, at the rates indicated, which are the rates fixed by the Board of Directors as reported in Mr. Earhart's letter of July 14, 1953.

<u>"Name</u>	<u>Title</u>	<u>Annual Salary</u>
C. H. Watkins	Assistant Manager	\$12,500
G. D. Parker	Assistant Manager	8,500

"No action has yet been taken by the Board of Governors with respect to changes in the salaries of the Presidents and the First Vice Presidents of the Banks."

Chairman Martin suggested that the Board give preliminary consideration to the decision of the United States Court of Appeals for the Third Circuit in the Transamerica case at a meeting on Tuesday, July 28, 1953.

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He also stated that Mr. Crane, Chairman of the Federal Reserve Bank of New York, had informed him that five members of the Board of Directors of that Bank could meet with members of the Board on Tuesday, July 28 and he (Chairman Martin) had suggested that they meet at luncheon at 12:30 p.m. in view of the fact that the directors would not reach Washington until about noon that day. Chairman Martin also suggested that on Wednesday, July 29, 1953, the Board consider the reports submitted by Arthur Andersen & Company concerning the Board's organization, and that at a meeting tomorrow, July 23, 1953, it take up the report of the Coleman Committee regarding budgetary expenses at Federal Reserve Banks, copies of which had been distributed to the members of the Board under date of July 17, 1953. There was agreement with these suggestions.

Chairman Martin then inquired of Mr. Vest as to whether there were any aspects of the decision of the Third Circuit Court of Appeals in the Transamerica case which should be brought to the Board's attention in advance of the discussion which he had suggested be held on Tuesday, July 28, 1953.

Mr. Vest stated that the Board might wish to consider the question of petitioning the court for a rehearing of the case before the meeting on July 28. He added the comment that while he questioned whether the Board would wish to ask for a rehearing, there was one technical point that might

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suggest doing so and if it were decided to file such a petition, that would have to be done before Friday, July 31, 1953, since the decision of the Court of Appeals was filed on July 16 and only 15 days is allowed in which to petition for a rehearing.

Governor Evans raised the question whether, in the meantime, the Legal Division had taken any necessary legal steps to prevent Bank of America N.T. & S.A. from branching the banks concerning which an injunction had been issued by the Circuit Court of Appeals in San Francisco on June 24, 1950.

During a discussion of Governor Evans' question, Mr. Vest stated that the Comptroller of the Currency is aware of the facts in the situation, that while the Comptroller's office had granted its permission for the branches prior to issuance of the injunction in June 1950, it would appear to be necessary in connection with any such branching of the banks to obtain the approval of the Comptroller of the Currency for an increase in capital of the Bank of America N.T. & S.A., if it were to increase capital in connection with the branching of the banks; or it would be necessary to obtain the approval of the Comptroller of the Currency under section 18(c) of the Federal Deposit Insurance Corporation Act if Bank of America N.T. & S.A. were to assume the liabilities of the banks without increasing its capital.



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Chairman Martin stated that he had discussed this matter with Mr. Gidney, Comptroller of the Currency, that Mr. Gidney had not indicated in any way the kind of action his office would take, but that he was fully aware of the feeling of the Board that the Transamerica banks should not be branched into the Bank of America organization until the Transamerica case was entirely disposed of.

At this point Mr. Chase, Assistant General Counsel, joined the meeting.

Pursuant to a request from Chairman Martin, Mr. Vest then made a statement regarding a number of aspects of the present status of the Transamerica proceeding, including the basis for and advisability of requesting a rehearing by the Court of Appeals for the Third Circuit; the question whether the injunction granted by the Court of Appeals for the Ninth Circuit in 1950 was still in effect; the necessity for Bank of America to obtain further permission from the Comptroller of the Currency before taking over Transamerica subsidiary banks in California as branches; the possibility of petitioning the Supreme Court of the United States for an injunction in case the take-over of these banks were threatened; relationships with the Solicitor General's Office in case the Board should wish to petition for certiorari in the Supreme Court; and the possibility of asking the Court of Appeals of the Third Circuit for a rehearing in order to have its order amended to provide for a remanding of the case instead of merely setting aside the Board's order.

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There ensued a discussion during which Mr. Vest, in response to questions, stated that he did not feel that the Board had any substantial basis for asking for a rehearing by the Third Circuit Court of Appeals other than on the technical grounds he had described, and that he would not recommend requesting such a rehearing.

Mr. Chase stated that he agreed entirely with the views Mr. Vest had expressed.

Following further discussion, Chairman Martin suggested that further consideration be given to the matter at the meeting of the Board on July 28.

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

Minutes of actions taken by the Board of Governors of the Federal Reserve System on July 21, 1953, were approved unanimously.

Letter for the signature of the Chairman to Mr. O. K. Yui, Governor, The Central Bank of China, Taipei, Formosa, reading as follows:

"This will acknowledge your letter of June 26, with which was enclosed a letter of the same date from Mr. David Ze Shen outlining a study which he would like to make of the operations of the Federal Reserve System. It is noted that you recommend Mr. Shen as deserving of whatever assistance it might be possible for us to extend to him.

"As indicated in my letter of June 5, the Board would be glad to cooperate in arranging an appropriate study program for Mr. Shen in the event he should visit this country.

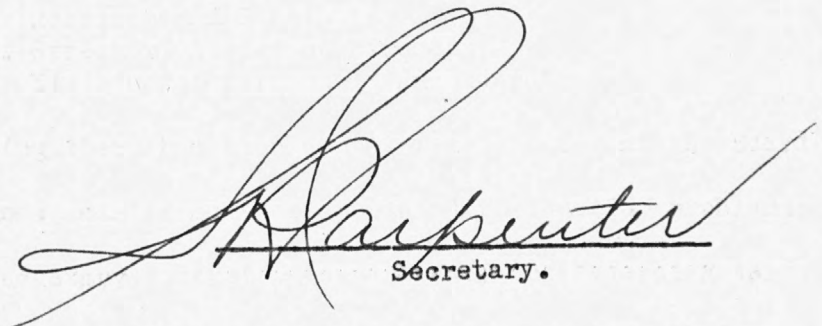
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"On the other hand, the Board does not maintain any program under which scholarships or other grants are awarded to persons interested in reviewing Federal Reserve operations. Several different types of grants are available, however, under various phases of the United States Government's technical assistance program, and it might be that Mr. Shen would be eligible to receive assistance of that character. It is understood that the staff of the United States Embassy or the Mutual Security Agency mission in Taipei would be able to advise Mr. Shen fully on that point.

"Should further developments result in a decision by Mr. Shen to visit this country, you may be assured of the Board's cooperation in arranging facilities for the study that he desires to undertake within the Federal Reserve System."

Approved unanimously.



R. Carpenter  
Secretary.