

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

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

Mr. Sherman, Assistant Secretary  
Mr. Kenyon, Assistant Secretary  
Mr. Allen, Director, Division of  
Personnel Administration

Chairman Martin stated that Mr. W. A. Clarke, President-elect of the Mortgage Bankers Association, and a former consultant to the Board on real estate credit matters, had just called him on the telephone to inquire whether it would be possible for the Board's staff to offer a visual-auditory economic presentation for the members of the Association during their convention later this year. Chairman Martin said that this raised the question whether such presentations should be made available to conventions and other similar meetings of groups outside the Federal Reserve System, a practice which had not been followed to date.

Following a brief discussion, during which none of the other members of the Board indicated any objection to giving the visual-auditory presentation in this case, it was understood that Chairman Martin would give further consideration to the matter in the light of the policy which should be followed before replying to Mr. Clarke.

9/10/53

-2-

The following requests for travel authorization were presented:

| <u>Name and title</u>                             | <u>Duration of travel</u> |
|---------------------------------------------------|---------------------------|
| Woodlief Thomas, Economic Adviser<br>to the Board | October 1-9, 1953         |

To accompany Mr. Cole, Housing and Home Finance Administrator, at Mr. Cole's request, on a survey of the housing and mortgage situation, the cities to be visited including Cleveland, Ohio; Miami, Florida; New Orleans, Louisiana; Birmingham, Alabama; and New York, New York.

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| George S. Sloan, Director,<br>Division of Examinations             | September 17-19, 1953 |
| Robert C. Masters, Assistant Director,<br>Division of Examinations | September 16-19, 1953 |
| Henry Benner, Assistant Director,<br>Division of Examinations      | September 16-19, 1953 |
| Glenn M. Goodman, Assistant Director,<br>Division of Examinations  | September 18-19, 1953 |

To travel to Philadelphia, Pennsylvania, to attend the annual meeting of the National Association of Supervisors of State Banks and, on September 19, to attend a meeting of vice presidents in charge of examinations at the Federal Reserve Banks, to be held at the Federal Reserve Bank of Philadelphia.

Approved unanimously.

Governor Robertson reported on plans which had been made for the School for Examiners (to be conducted by the Inter-Agency Bank Examination School during the four weeks beginning September 28, 1953). Governor Robertson commented in this connection that some of the State bank supervisors were sending men to the school, while others had indicated an interest but stated that they lacked funds for the purpose. He said that he had taken the position that the

9/10/53

-3-

Federal Reserve System should not offer to pay the expenses in cases where funds were not available because that might make the State banking departments feel indebted to the Federal Reserve. Yesterday, however, upon receiving a letter from the State bank supervisor of Oklahoma to the effect that funds were not available and after consulting by telephone with the supervisor, he talked by telephone with the President of the Oklahoma State Bankers Association who expressed the view that attendance of a State bank examiner would be of benefit to the State banks in Oklahoma and said that if a suitable candidate could be found the funds would be made available so that he might attend the school.

Governor Robertson then referred to a telephone conversation which he had on September 8 with Mr. Walter B. French, Deputy Manager of the American Bankers Association, who stated that the first meeting of the Advisory Board to the Instalment Credit Commission of the Association would be held in Washington on November 9 and 10, 1953. He said Mr. French inquired whether the group, consisting of about fifteen persons, might meet at the Federal Reserve Building during the morning of November 9, and then meet with the available members of the Board and appropriate members of the staff for luncheon and a discussion concerning economic and general matters pertaining to instalment lending. It was Mr. French's plan to have

9/10/53

-4-

the Advisory Board meet on November 10 with representatives of the Board, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation to consider examining features of instalment credit.

Governor Robertson was authorized by unanimous vote to extend an invitation to the Advisory Board, through Mr. French, to use Room 1202 of the Federal Reserve Building during the morning of November 9, to have luncheon with available members of the Board and appropriate members of the staff at 1:00 p.m., and to remain thereafter for a review of the economic situation and a discussion of various aspects of instalment lending.

There was a further extended discussion of the action of the directors of the Federal Reserve Bank of Dallas in electing Mr. W. D. Gentry as President of the Bank and Mr. W. H. Irons as First Vice President, subject to the approval of the Board of Governors, each for the remainder of the terms ending February 29, 1956. There had been previous consideration of this matter at the meetings on August 14 and 26, 1953, and at an informal meeting of some of the members of the Board on August 18.

During the discussion at this meeting reference was made to the record made by the Board in 1950 and 1951 in connection with the

9/10/53

-5-

reappointment of Mr. Gilbert as President, and of Mr. Gentry as First Vice President, of the Dallas Bank, as well as to telephone conversations which Mr. Parten, Chairman of the Dallas Bank, had had recently with Governor Szymczak and Governor Evans.

At the conclusion of the discussion it was understood that Chairman Martin would call Chairman Parten on the telephone to review the situation and to ascertain Mr. Parten's views with respect to the desirability of suggesting to the Dallas directors that they go outside the present staff of the Federal Reserve Bank of Dallas for the purpose of securing the services of an outstanding person to succeed Mr. Gilbert as President.

Reference was made to a memorandum which the Division of Personnel Administration had sent to the members of the Board during August containing excerpts from recent letters from the Federal Reserve Banks proposing salaries for the respective Presidents and First Vice Presidents in accordance with the plan outlined in the Board's letter of May 29, 1953. The memorandum also presented data showing the relationship between maximum salaries approved by the Board for other Reserve Bank officers and current and proposed salaries for the Presidents and First Vice Presidents.

Chairman Martin suggested that each member of the Board study the memorandum carefully preliminary to a discussion of the salaries of

9/10/53

-6-

Presidents and First Vice Presidents of the Federal Reserve Banks at a meeting when all of the Board members were present. Chairman Martin also suggested that if any member of the Board desired additional information, he request such information from Mr. Allen.

Reference then was made to a letter addressed to Governor Vardaman under date of August 31, 1953, by Brigadier General William P. Farnsworth, Chief of the Procurement Division, United States Air Force. The letter set forth reasons why Headquarters, Air Materiel Command, was exploring the possibility of having the Federal Reserve Banks and branches obtain information concerning the financial responsibility of the Air Materiel Command's prospective prime contractors and transmit such information to Wright-Patterson Air Force Base for evaluation, recommendation, and notification of the interested procurement branch or buyer. The letter presented an estimate of a number of requests per year (2,000) and outlined the data which would be furnished the Federal Reserve Banks by Headquarters, Air Materiel Command, and on which the Reserve Banks' investigations would be based. After describing the mechanics of the proposed plan, Brigadier General Farnsworth inquired whether the Federal Reserve Banks could be of assistance and, if so, what would be the approximate cost of the services rendered by the Reserve Banks. He suggested that, in the event of a favorable reply, representatives of the Air Force would like to meet with Governor

9/10/53

-7-

Vardaman and appropriate members of the Board's staff to consider how and when operations could be begun.

Governor Robertson suggested that Governor Vardaman be requested upon his return to his office to gather all of the information necessary to reach a decision, that there be further consideration of the matter by the Board in the light of such information, and that the proposal then be discussed with the Presidents of the Federal Reserve Banks at the time of the Presidents' Conference later this month.

The procedure suggested by Governor Robertson was approved unanimously.

Governor Robertson then referred to comments in the report of examination of the Federal Reserve Bank of Kansas City made as of April 23, 1953, by the Board's examining staff concerning (1) the adequacy of the official staff at the Kansas City Bank and (2) an expenditure of \$335 for entertainment in connection with a district bank examiners' conference held in Kansas City earlier this year. He also referred to comments in the report of examination of the Federal Reserve Bank of Boston made as of May 21, 1953, with respect to the revision of the Bank's policy so as to allow reimbursement of expenses of officers' wives attending certain conventions. Governor Robertson expressed the view that items of this character found in examination reports should be followed up effectively by the Board with the management

9/10/53

-8-

of the Federal Reserve Banks concerned.

During a discussion of the comments cited by Governor Robertson, reference was made to the Board's letters of July 28, 1953, to Messrs. Hodgkinson and Hall, Chairmen of the Federal Reserve Banks of Boston and Kansas City, respectively, which referred to the revision of policy at the Boston Bank regarding expenses of wives of officers and to the entertainment item at Kansas City. It was also brought out that the matter of the adequacy of the official staff at the Kansas City Bank had been discussed at the meeting of the Board on July 15, 1953, at which time it was understood that the matter would be taken up with Chairman Hall and President Leedy the next time they were in Washington.

Chairman Martin agreed that reports of examination of the Federal Reserve Banks should be followed up with appropriate letters to the Banks calling attention to certain items. However, it was his opinion that it would also be desirable to bring in the Chairman and President of each Bank and review with them matters discussed in the examination reports or in reports by representatives of other divisions concerning their visits to the Reserve Banks. Such a program, he thought, should be carried forward in a systematic manner.

In commenting on a suggestion by Governor Evans that the meetings of the Chairmen's Conference might provide a good forum for

9/10/53

-9-

discussion of the propriety of certain types of Reserve Bank expenditures, Chairman Martin expressed the opinion that that would be a desirable procedure when group discussions were indicated, but that in order to provide a satisfactory mutual understanding of some of these problems, there must also be a link between the Board and the Chairmen, perhaps the Deputy Chairmen, and the operating heads of the Federal Reserve Banks. Such a link, he felt, could best be provided by meetings with representatives of the individual Banks.

With regard to the matter of paying expenses of officers' wives at conventions, as proposed by the Federal Reserve Bank of Boston, Chairman Martin agreed that it would not be appropriate for the Reserve Bank to pay such expenses but he commented that the proposal of the Boston Bank highlighted the importance of adequate compensation for Reserve Bank officers so as to insure their having the proper standing in their communities and in professional circles.

Chairman Martin went on to suggest the desirability of working out a program whereby within a reasonable time after each report of examination was received, the Board would invite representatives of the Bank to come to Washington to discuss various aspects of the Bank's operations.

Reference was made in this connection to the suggestion at the meetings of the Board on November 17 and 19, 1952, when the budgets of

9/10/53

-10-

the Federal Reserve Banks for 1953 were under consideration, that plans be worked out for periodic meetings with the Chairman and President of each Federal Reserve Bank to discuss all phases of the Bank's operations.

Governor Robertson suggested that after each report of examination was received in the future, representatives of the Secretary's Office, the Division of Examinations, the Division of Bank Operations, the Division of Research and Statistics, the Division of Personnel Administration, and other appropriate members of the staff meet to survey every problem at the particular Bank, that there then be a discussion of these matters at a meeting of the Board before a letter regarding the report of examination was sent to the directors of the Reserve Bank concerned, and that, following such discussion, representatives of the Reserve Bank be invited to meet with the Board as suggested by Chairman Martin.

This suggestion was approved unanimously, with the understanding that the Secretary's Office would have the responsibility for coordinating the preparation of material for presentation to the Board by members of the staff following receipt of each report of examination.

In response to a question by Chairman Martin, Mr. Allen stated that he had sent to each member of the Board information concerning the

9/10/53

-11-

appointments of Class C and branch directors which would have to be made by the Board for terms beginning January 1, 1954, along with information on persons who might be considered for these appointments.

Consideration then was given to the procedures which might be followed by the Board in making appointments of Reserve Bank and branch directors. Mr. Allen mentioned the possibility of securing credit reports from a national agency on persons being considered, but it was the view of the Board that such reports would be of little value in selecting directors and that necessary information regarding prospective directors probably could be obtained more satisfactorily through other channels.

Governor Evans expressed the view that, whenever possible, Class C directors should be selected from among those branch directors whose records had been commendable.

Governor Robertson suggested that as one means of obtaining names of prospective directors, a letter be sent over Chairman Martin's signature to each Class C director requesting the names of persons within his district who he felt might be qualified and willing to serve as directors of either the Reserve Bank or a branch.

It was agreed unanimously that drafts of letters of the type suggested by Governor Robertson should be prepared and, when in form satisfactory to Chairman Martin, sent to each Class C director. It was understood that

9/10/53

-12-

the letters to the respective Reserve Bank Chairmen should indicate that the Board was also writing to other Class C directors to obtain their suggestions.

The meeting then adjourned. During the day the following additional action was taken by the Board with all of the members except Governor Vardaman present:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on September 9, 1953, were approved unanimously.

  
Assistant Secretary