

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, October 1, 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. Thurston, Assistant to the Board
Mr. Vest, General Counsel
Mr. Solomon, Assistant General Counsel
Mr. Chase, Assistant General Counsel

There was presented a request that Mr. Sloan, Director, Division of Examinations, be authorized to travel to New York, New York, during the period October 18-20, 1953, to participate with representatives of the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the National Association of Supervisors of State Banks in a panel discussion of bank supervisory matters at the annual convention of the National Association of Bank Auditors and Comptrollers; and to attend a luncheon to be given by the Federal Reserve Bank of New York for representatives of the Federal Reserve Banks attending the convention.

Approved unanimously.

In advance of this meeting there had been sent to the members of the Board copies of a memorandum from Mr. Vest dated September 30, 1953,

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regarding the question of participation by Bank of America National Trust and Savings Association, San Francisco, California, in the election of directors of the Federal Reserve Bank of San Francisco. After summarizing the discussions with representatives of the Department of Justice which were held in accordance with the understanding at the meeting of the Board on September 25, 1953, the memorandum reviewed the legal issues involved and the possible courses of action open to the Board. To the memorandum were attached drafts of two alternative letters to Mr. S. C. Beise, Senior Vice President of Bank of America National Trust and Savings Association, one of which would decline to permit the bank to vote on the ground that the matter had been considered on numerous occasions in the past and that a closely related question was involved in the Clayton Act proceeding against Transamerica Corporation. The other letter would state that the Board was not attempting to determine at this time the question of relationships between Transamerica Corporation and Bank of America National Trust and Savings Association, but in order not to deprive the bank of any possible rights the Board would not object to its voting in the forthcoming election of a Class A and a Class B director of the San Francisco Reserve Bank. The memorandum expressed the view that neither letter should be dispatched until after the petition for a writ of certiorari in the Transamerica case had actually been filed by the Acting Solicitor General with the Supreme Court of the United States. It also expressed the view

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that before any letter was sent it would be advisable to show it informally to the Chief of the Appeals Section of the Antitrust Division, Department of Justice, with whom Messrs. Vest, Solomon, and Chase had discussed the question raised by Bank of America and its relationship to the Transamerica case, so that he might have an opportunity to object if he should desire to do so.

During the course of the discussion which followed concerning the legal and other considerations involved, Chairman Martin and Governors Szymczak, Evans, and Mills indicated that inasmuch as there had been no change in the underlying facts since the Board considered the matter in 1952, they saw no reason to reach a different decision at this time. They also indicated that they would not wish to take any action which might make it more difficult to obtain a final decision by the courts in the Transamerica case. Inasmuch as Mr. Vest's memorandum and the statements made at this meeting by the representatives of the Legal Division present indicated a feeling that a departure from the position previously taken by the Board with respect to the right of Bank of America to participate in the election of directors might complicate the presentation of the Transamerica matter before the Supreme Court, they believed that it would be unwise for the Board to take any different position at this time.

Governor Robertson, on the other hand, expressed a preference for a reply to Bank of America along the lines of the second of the two alternative

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drafts of letter attached to Mr. Vest's memorandum, with certain modifications which he outlined. It was his feeling, as he had indicated at the meeting on September 25, that the point involved was not of sufficient importance to warrant making a decision at this time, and in the circumstances he believed that the Board should advise Bank of America that for the purpose of the bank's participation in the forthcoming election of directors the Board would accept the bank's assurances as to its status under section 4 of the Federal Reserve Act and therefore would not object to its participation in this particular election. Governor Robertson also noted from Mr. Vest's memorandum that the Department of Justice apparently did not feel that such action on the part of the Board would create any substantial difficulty or embarrassment in the Transamerica case that could not be reasonably well met.

Governor Vardaman supported the position taken by Governor Robertson, stating that he felt the Board should be very cautious not to take any action which might seem to be discriminatory in any way pending a final decision in the Transamerica proceeding. He also expressed the opinion that a favorable reply to Bank of America would have no injurious effect from the standpoint of the presentation of the Transamerica matter before the Supreme Court.

Following further discussion, Governor Evans moved that the Board adhere

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to the position which it took in 1952 and earlier years when Bank of America National Trust and Savings Association raised the question of its right to participate in the election of directors of the Federal Reserve Bank of San Francisco, and that for that purpose the first alternative letter attached to Mr. Vest's memorandum be approved as follows:

This refers to your letter of September 17, 1953, addressed to Mr. William R. Wallace, Jr., Deputy Chairman of the Board of the Federal Reserve Bank of San Francisco, regarding the question whether Bank of America may vote in the forthcoming election of directors of the Federal Reserve Bank of San Francisco.

Section 4 of the Federal Reserve Act provides in part with regard to elections of directors of Federal Reserve Banks that "whenever any two or more member banks within the same Federal reserve district are affiliated with the same holding company affiliate, participation by such member banks in any such nomination or election shall be confined to one of such banks, which may be designated for the purpose by such holding company affiliate."

As you know, on several occasions before and after the issuance of the Complaint under the Clayton Act in the matter of Transamerica Corporation, and as recently as last year, at the request of your Bank the Board has carefully considered the question of the eligibility of your Bank to participate in such elections. The Board's conclusions were that your Bank was affiliated with Transamerica Corporation and that, since that Corporation had designated a different bank to participate in such elections, your Bank was not eligible for such participations. Moreover, a closely related question is involved in the Clayton Act case with respect to Transamerica Corporation regarding which a petition for certiorari is now pending in the Supreme Court of the United States. In the circumstances, the Board feels that it would not be warranted in taking a position at this time different from that which it has heretofore taken on this question. However, if there are any additional facts or arguments which Bank of America wishes to bring to the Board's attention in this connection, the Board will be glad to give them careful consideration.

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This motion was put by the Chair and carried, Governors Vardaman and Robertson voting "no".

In taking this action it was understood that the approved letter would be shown informally by a representative of the Legal Division to the proper parties in the Department of Justice to afford them an opportunity to offer objection and that in the absence of such objection the letter would be sent to Bank of America National Trust and Savings Association through the Federal Reserve Bank of San Francisco immediately after the petition for certiorari to review the decision of the Court of Appeals for the Third Circuit in the Clayton Act proceeding against Transamerica Corporation had been filed by the Acting Solicitor General in the Supreme Court of the United States.

At this point Governor Mills withdrew from the meeting to keep an outside appointment. Before leaving he stated that, if present, he would vote to approve the recommendations contained in a memorandum of September 16, 1953, from the Division of Personnel Administration, referred to hereinafter, regarding salaries in the Board's printing shop.

Mr. Chase stated that a representative of the Department of Justice had called on the telephone yesterday to say that the petition for writ of certiorari in the Transamerica case was almost prepared and that the Department would send copies of the draft to the Board's Legal Division for comment within a few days with a view to having the petition ready for filing by the due date, October 14. He said that the Legal Division was

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planning to have Mr. O'Keefe, Assistant Counsel of the Federal Reserve Bank of New York, come to Washington to assist in reviewing the petition.

Mr. Vest said that if the Board approved, the Legal Division would transmit any technical comments it might have on the draft of petition direct to the Department of Justice, and the members of the Board present indicated that they would have no objection to such a procedure.

Messrs. Thurston, Vest, Solomon, and Chase then withdrew from the meeting, and Mr. Allen, Director, Division of Personnel Administration, entered the room.

Reference was made to a memorandum from Mr. Allen dated September 16, 1953, relating to salaries in the Board's printing shop (Division of Administrative Services). The memorandum, copies of which had been sent to the members of the Board prior to this meeting, read as follows:

In 1949 all printing positions in the Government service were removed from the coverage of the classification act and the determination of their rates of pay was vested in a Wage Board composed of representatives from various Government agencies. The purpose underlying this change was to make available to those doing printing work in the Government rates of pay comparable to those paid by commercial organizations.

In the administration of salaries of those under its jurisdiction the Wage Board periodically makes a survey of the local commercial market and sets rates of pay based on the data gathered. As would be expected, the Government salaries in the printing trade have increased substantially as a result of relating them to the salaries of commercial printers.

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In June 1950 the Board of Governors adopted in principle the wage level and other standards as prescribed by the Interdepartmental Lithographic Wage Board. When applied to the Board's organization these standards covered all positions connected with printing, photographing, mimeographing, and bindery work in our printing shop. However, for ease in administration the salary ranges for these positions were merely fitted into the ranges of our present system, and the Wage Board scale, as such, was not used.

In order to keep our pay in line with going rates the Division of Personnel Administration has made an annual review of wages paid under the Wage Board and on the basis of this survey has adjusted the classification of the jobs in the printing section. The most recent survey, made in August, indicates that within the last nine months Wage Board rates have increased twice and our salaries are now below those being paid by other Government agencies.

The latest rates approved for Wage Board jobs, effective August 30, 1953, do not fit into the present Board salary scale. Furthermore, the Wage Board salary scale has fewer salary steps than the one used generally in Government and here at the Board and the increments are larger. In view of these factors it appears desirable to no longer attempt to fit the Wage Board scales into our scale but rather to adopt a scale similar to that used in other Government agencies for jobs in the printing shop.

In converting to the new salary structure and adjusting the individual salaries to conform to the going rates practically every job in the printing section will receive a salary increase.

For purposes of information the attached table shows the name and title of each position together with the current salary range and the proposed salary range. On another table is shown the current salary and proposed salary for each individual if the recommendations of this memorandum are approved.

While the proposed salary scale will result in a substantial increase in the payroll of the printing section, the salaries being paid will be no higher than those in other Government agencies for similar types of work. The salaries proposed in Table II attached are to be effective at the beginning of the pay period following approval of this memorandum by the Board.

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At the request of the Board, Mr. Allen commented on the functions, composition, and objectives of the several interdepartmental wage boards, stating that according to a recent report some 31 per cent of all Civil Service positions were now removed from the coverage of the Classification Act and the determination of their rates of pay vested in the respective wage boards. Mr. Allen went on to say, however, that outside of the printing shop there were no positions held by Board employees of a type which would fall within the purview of any of the existing wage boards.

Mr. Allen also stated that the position of Supervisor, Duplicating and Mail Section, being a supervisory position, was not of a type for which a salary range was fixed by the Wage Board scale, but that as a matter of equity and in view of the long service of the incumbent, the Division of Personnel Administration recommended an increase which would place the incumbent's salary \$200 higher than that of the next highest ranking employee in the printing shop.

Following a discussion, unanimous approval was given to the recommendations contained in Mr. Allen's memorandum of September 16 and, in this connection, to increases as indicated below in the basic annual salaries of the following employees in the Division of Administrative Services, effective October 11, 1953:



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<u>Name and title</u>	<u>Basic annual salary</u>	
	<u>From</u>	<u>To</u>
Raymond C. Twomey, Supervisor, Duplicating and Mail Section	\$5,370	\$6,232
Stanley J. Bloch, Assistant Supervisor	5,245	6,032
Franklin Taylor, Composition Clerk	4,705	5,616
Frank W. Constable, Photographer	4,580	5,616
Joseph W. Wright, Photographer	4,330	5,096
T. Vincent Kopfman, Photographer	3,795	4,472
Bruce L. Moffett, Pressman	4,455	5,345
Nelson S. Dyson, Bindery Worker	4,295	5,179
Benjamin D. Berry, Foreman, Mimeograph	3,430	3,640
Bricen Barnes, Mimeograph Operator	3,230	3,432
Daniel F. Lane, Mimeograph Operator	3,032	3,203
Robert L. Piper, Mimeograph Operator	3,112	3,203
Edward D. Rogers, Mimeograph Operator	3,150	3,203

Secretary's note: The salary group classifications applicable to the printing shop positions (corresponding to those fixed currently by the Interdepartmental Lithographic Wage Board) and the steps within each classification are shown below:

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Printing GradesAnnual Rates

<u>Grade</u>	<u>Step 1</u>	<u>Step 2</u>	<u>Step 3</u>	<u>Step 4</u>
1	\$2,018	\$2,122	\$2,226	\$2,330
2	2,205	2,330	2,454	2,558
3	2,392	2,517	2,642	2,766
4	2,579	2,725	2,870	2,995
5	2,766	2,912	3,058	3,203
6	2,974	3,120	3,286	3,432
7	3,140	3,307	3,474	3,640
8	3,349	3,515	3,682	3,869
9	3,515	3,702	3,890	4,077
10	3,723	3,910	4,097	4,306
11	3,890	4,097	4,306	4,514
12	4,097	4,306	4,514	4,742
13	4,264	4,493	4,722	4,950
14	4,472	4,701	4,930	5,179
15	4,638	4,888	5,138	5,387
16	4,846	5,096	5,345	5,616
17	5,013	5,283	5,554	5,803
18	5,221	5,491	5,762	6,032

Governor Robertson stated that pursuant to the understanding at the meeting on September 25, 1953, Mr. Horbett, Assistant Director of the Division of Bank Operations, and Mr. Conkling, Chief of the Member Bank Section in that Division, met with representatives of the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation on September 28 to discuss the suggestion by the Association of Reserve City Bankers that the call report of condition be amended to show as a separate item loans guaranteed by the Commodity Credit Corporation. He said that Messrs. Horbett and Conkling had prepared a memorandum of the discussion and the various alternatives which were proposed, and that this

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would be circulated among the other members of the Board. He went on to say that, while the Comptroller's Office appeared to feel that it was under somewhat of a commitment to go along with the proposal of the Association of Reserve City Bankers, those attending the meeting apparently favored the Board's suggestion that the Commodity Credit Corporation loans be shown as one item in a memorandum breakdown.

In the circumstances, it was Governor Robertson's recommendation that the Board take no action on the matter at this time, particularly since in accordance with the established procedure there would have to be consultation with the National Association of Supervisors of State Banks regarding any change in the condition report. Since opposition to the original proposal had been registered, it was Governor Robertson's feeling that the Comptroller's Office and the Association of Reserve City Bankers might reconsider the proposal and that some compromise might be proposed to the Board.

The other members of the Board present indicated that they agreed with the views expressed by Governor Robertson.

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 September 30, 1953, were approved unanimously.

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Memoranda from appropriate individuals recommending that the resignations of the following employees be accepted:

<u>Name and title</u>	<u>Division</u>	<u>Effective date</u>
Elizabeth Ann Rundquist, Stenographer	Examinations	September 30, 1953
Maria Jo Peterson, Clerk-Typist	Bank Operations	September 29, 1953

Approved unanimously.

Letter to Mr. Hill, Vice President, Federal Reserve Bank of Philadelphia, reading as follows:

In accordance with the request contained in your letter of September 28, 1953, the Board approves the appointment of Jack P. Besse as an assistant examiner for the Federal Reserve Bank of Philadelphia.

Approved unanimously.



Secretary