

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, December 21, 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. Leonard, Director, Division of
Bank Operations
Mr. Vest, General Counsel
Mr. Johnson, Controller
Mr. Horbett, Assistant Director,
Division of Bank Operations
Mr. Hackley, Assistant General Counsel

Governor Vardaman referred to the discussions at the meetings on September 10 and 16, 1953, concerning investigations with regard to the financial responsibility of prospective prime contractors for the Air Force which Brigadier General William P. Farnsworth, Chief of the Procurement Division of the Air Force, had inquired whether the Federal Reserve Banks might make in his letter to Governor Vardaman dated August 31, 1953. Governor Vardaman said he had discussed the matter with Assistant Secretary of Defense W. J. McNeil and later with Secretary of Defense Charles E. Wilson, and that a letter dated December 16 had now been received from Mr. Chester D. Seftenberg, Deputy to the Assistant Secretary of the Air Force, saying that the whole idea had been dropped.

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There was presented a request from Mr. Thomas, Economic Adviser to the Board, for authority to travel to Columbia, Missouri, and St. Louis, Missouri, during the period February 8-14, 1954, to speak at the Bank Management Conference of the Missouri Bankers Association and to participate in the Central Banking Seminar being arranged by the Federal Reserve Bank of St. Louis.

Approved unanimously.

There had been circulated among the members of the Board prior to this meeting a memorandum dated November 24, 1953, from the Division of Bank Operations regarding the issuance by the Federal Reserve Bank of Boston earlier this year of Reserve Bank stock based on the inclusion of guaranty funds (funds set aside as a protection for the savings department pursuant to statutory requirements in certain New England states) on the same basis as capital and surplus.

Discussion of the matter included reference to the administrative history of the question, including consideration given by the Board to the question in 1937, the provisions of Massachusetts, Rhode Island, and New Hampshire statutes with respect to guaranty funds, the characteristics of such funds as compared with bank surplus, the reasons why the question had come before the Federal Reserve Bank of Boston this year and why the Bank had issued additional Reserve Bank stock on the basis that the guaranty funds should be included with surplus for that purpose, and implications of the action of the Boston Reserve Bank from

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the standpoint of issuance of Reserve Bank stock in the First Federal Reserve District and elsewhere.

Chairman Martin then suggested that Messrs. Erickson and Schlaikjer, President and Vice President and General Counsel, respectively, of the Federal Reserve Bank of Boston be requested to meet with the Board for a discussion of the matter on January 5, 1954.

This suggestion was approved
unanimously.

In connection with the foregoing discussion, Mr. Horbett inquired concerning the treatment of the guaranty funds in statistical tabulations for the Member Bank Call Report pending a final decision by the Board on the matter under discussion.

It was agreed unanimously that
pending a final decision it would
be satisfactory to tabulate guaranty
funds as surplus, with an appropriate
footnote to the totals for the First
Federal Reserve District.

Messrs. Leonard, Vest, Horbett, and Hackley then withdrew from the meeting.

There had been circulated among the members of the Board prior to this meeting a memorandum dated December 14, 1953, from the Division of Personnel Administration commenting on a letter dated December 8, 1953, from Mr. Sproul, President of the Federal Reserve Bank of New York, requesting Board approval of the payment of salary to Dr. John H. Williams while serving the Bank as economic Consultant during 1954.

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The matter was discussed in the light of the history of Dr. Williams' employment by the New York Bank, actions taken by the Board with respect to approval of Dr. Williams' salary in past years, and reasons why the directors of the New York Bank and President Sproul wished to retain Dr. Williams as Consultant during 1954, as stated in President Sproul's letter and as stated by Mr. Crane, Chairman of the Bank, to Chairman Martin.

At the conclusion of the discussion, unanimous approval was given to a letter to President Sproul in the following form:

In accordance with the request contained in your letter of December 8, 1953, the Board of Governors approves the payment of compensation to Dr. John H. Williams as Consultant during the year 1954 at the rate of \$84.62 per day for each day he spends at the Bank or at a Federal Reserve or related meeting elsewhere, plus reasonable travel, lodging, and subsistence expenses.

In approving the payment of compensation to Dr. Williams, it is understood that his work for the Bank will be subject to the call and direction of the President and that he will work for the Bank for not more than one-half the number of days which he spent at the Bank, on the average, during the period when he was Economic Adviser.

At this point Mr. Cherry, Legislative Counsel, entered the room.

Governor Robertson referred to the discussions at the meetings on December 14 and 16, 1953, regarding Congressman Patman's request for certain information on salaries of commercial bank officers and the proposal to handle the request through the preparation of a study of bank salary trends over the last 10 or 15 years. He said preliminary conversations with representatives of the Comptroller of the Currency and the

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Federal Deposit Insurance Corporation indicated that those agencies would participate in the study and that he believed agreement on a joint study would be reached, but that he understood those agencies were replying to Mr. Patman to the effect that a final answer to his request would have to be delayed until after the end of the year due to absences of top personnel over the holiday season. Governor Robertson proposed that, in the circumstances, the Board advise Mr. Patman that it was investigating actively the question of making the proposed survey of bank salary trends and that it intended to press forward with the matter as rapidly as possible.

The procedure suggested by Governor Robertson was approved unanimously, with the understanding that a letter would be sent to Congressman Patman in a form satisfactory to Chairman Martin.

All of the members of the staff except Mr. Johnson then withdrew from the meeting and the Board went into executive session.

Thereafter, the Secretary was informed that during the executive session the Board, in accordance with the recommendation contained in a memorandum from the Controller dated December 18, 1953, approved unanimously a Board budget for 1954 as shown below, with the understanding that all possible economies would be effected during the year through a continuous review of expenditures, including determination of need for replacements whenever vacancies occur or for new positions being filled, and with the further understanding that the Controller would submit

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monthly reports of experience under the budget which would be circulated among the members of the Board and be taken up for discussion at a meeting of the Board.

ANNUAL BUDGET

Calendar year 1954

PERSONAL SERVICES

Salaries	\$3,128,608
Retirement contributions	<u>271,054</u>
Total personal services budget	<u>\$3,399,662</u>

NON-PERSONAL SERVICES

Traveling expenses:	
Federal Reserve Examiners, field force	\$ 211,700
Other	50,250
Postage and expressage	57,257
Telephone and telegraph	54,595
Printing and binding:	
Federal Reserve Bulletin	90,000
Other	87,471
Stationery and supplies	32,174
Furniture and equipment, including rental	28,804
Books and subscriptions	14,628
Heat, light and power	37,700
Repairs and alterations:	
Building and grounds	9,247
Repairs and maintenance:	
Furniture and equipment	7,700
Medical service and supplies	1,350
Insurance	5,038
All other:	
Auditing books of Board	3,600
Borrowed Reserve Bank personnel	-
Cafeteria (net)	43,000

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NON-PERSONAL SERVICES

All other: (continued)

Hearing transcripts	\$	500
Consumer finances surveys		150,000
Other survey and research projects		13,500
Legal and consultant fees and expenses		5,400
Official dinners, receptions, etc.		2,100
Meeting of Technicians of Central Banks of the American Continent		19,500
Miscellaneous		<u>18,410</u>
Total non-personal services budget	\$	<u>943,924</u>
Total budget		<u><u>\$4,343,586</u></u>

The Secretary also was informed that during the executive session the following resolution was adopted by unanimous vote, as recommended in a memorandum from the Controller dated December 21, 1953, with the understanding that copies of the resolution would be transmitted by the Controller to the Presidents of all Federal Reserve Banks:

RESOLUTION LEVYING ASSESSMENT

WHEREAS, Section 10 of the Federal Reserve Act, as amended, provides among other things that the Board of Governors of the Federal Reserve System shall have power to levy semiannually upon the Federal Reserve Banks, in proportion to their capital stock and surplus, an assessment sufficient to pay its estimated expenses and the salaries of its members and employees for the half year succeeding the levying of such assessment, together with any deficit carried forward from the preceding half year, and

WHEREAS, it appears from a consideration of the estimated expenses of the Board of Governors of the Federal Reserve System that for the six months' period beginning January 1, 1954, it is necessary that a fund equal to two hundred and fourteen thousandths of one per cent (.00214) of the

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total paid-in capital stock and surplus (Section 7 and Section 13b) of the Federal Reserve Banks be created for such purposes, exclusive of the cost of printing, issuing and redeeming Federal Reserve notes;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, THAT:

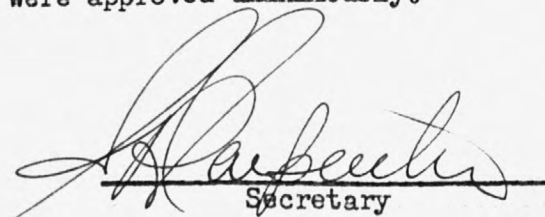
(1) There is hereby levied upon the several Federal Reserve Banks an assessment in an amount equal to two hundred and fourteen thousandths of one per cent (.00214) of the total paid-in capital and surplus (Section 7 and Section 13b) of each such Bank at the close of business December 31, 1953.

(2) Such assessment, rounded to the nearest hundred dollars, shall be paid by each Federal Reserve Bank in two equal installments, the first on or before January 15, 1954, and the second on March 1, 1954.

(3) Every Federal Reserve Bank except the Federal Reserve Bank of Richmond shall pay such assessment by transferring the amount thereof on the dates as above provided through the Interdistrict Settlement Fund to the Federal Reserve Bank of Richmond for credit to the account of the Board of Governors of the Federal Reserve System on the books of that Bank, with telegraphic advice to Richmond of the purpose and amount of the credit, and the Federal Reserve Bank of Richmond shall pay its assessment by crediting the amount thereof on its books to the Board of Governors of the Federal Reserve System on the dates as above provided.

The meeting then adjourned. During the day the following additional action was 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 December 18, 1953, were approved unanimously.


Secretary