

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, May 3, 1954. The Board met in the Board Room at 11:15 a.m.

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

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Thurston, Assistant to the Board
Mr. Riefler, Assistant to the Chairman
Mr. Thomas, Economic Adviser to the Board
Mr. Vest, General Counsel
Mr. Young, Director, Division of Research and Statistics
Mr. Johnson, Controller
Mr. Koch, Chief, Banking Section, Division of Research and Statistics

Before this meeting there had been sent to the members of the Board a draft of letter to Mr. John B. Hollister, Executive Director, Commission on Organization of the Executive Branch of the Government, General Accounting Office Building, Washington, D. C., which would transmit a memorandum dealing with the questions raised regarding the Federal Reserve System by Representative Wright Patman in letters which he had addressed to the Honorable Herbert Hoover, Chairman of the Commission on the Organization of the Executive Branch of the Government, on October 8, 1953, March 31, 1954, and April 7, 1954. Copies of Mr. Patman's three letters to the Chairman of the Commission had been sent to the Board by Mr. Hollister with a request for the Board's comments.

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Governor Vardaman stated that if the Board was agreed on the desirability of sending the memorandum in substantially its present form, he did not feel much could be gained by making editorial changes in the material. However, he stated that he could not vote to approve the transmission of the memorandum, excellent as it was in many respects, because he considered it to be too much a defense of the status quo. Governor Vardaman stated that he would be perfectly willing to have the letter and memorandum transmitted to Mr. Hollister with an indication that he had not voted to approve them.

Governor Mills stated that he would be entirely willing to have the proposed letter and memorandum submitted to Mr. Hollister in their present form, in that he looked upon the statements as being explanatory and supplementary to information previously furnished.

Governor Robertson stated that he had some editorial changes to suggest but requested that Governor Vardaman indicate the matters of principle concerning which he disagreed.

Governor Vardaman said that his principal objection to the proposed response was that he did not agree with the present composition of the Federal Open Market Committee, that he did not feel that the Presidents of Federal Reserve Banks should sit on that Committee, and that he thought the committee should be exclusively composed of members of the Board of Governors. He said that he also objected to the present arrangement regarding stock ownership of the Federal Reserve Banks, in that he could see

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no occasion for paying dividends of 6 per cent on stock which had no control. In response to Chairman Martin's statement that this represented a shift in his views since preparation of the replies to the questionnaire from the Patman Subcommittee in October 1951, Governor Vardaman said that this was true in degree, that he had gone along with the submission of the report to the Patman Subcommittee in January 1952, although he was not in complete agreement at that time with all of the statements in the report. For example, he did not think it desirable to reduce the Board membership from seven to five members. While he did not necessarily support Mr. Patman's recent proposal that the Board be composed of twelve members, he would prefer to have that number rather than to have a reduction to five members. His own preference, he said, would be for nine members.

Governor Robertson then made several editorial suggestions for change in the memorandum. Some of these were approved at the time and it was understood that Governor Robertson would submit additional detailed suggestions, copies of which would be sent to the Board for consideration at a meeting on Wednesday, May 5.

Governor Vardaman stated that if he were not present at the meeting on Wednesday, he would like to be recorded as not concurring in the submission of the proposed memorandum. He stated that he looked upon the memorandum as reaffirmation of Board policy, made by the Board as a whole, whereas the answers to the questionnaire submitted by the Patman Subcommittee represented a response by Chairman Martin which had been

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concurring in by the other individual members of the Board. Governor Vardaman considered that the proposed reply was too much of a defense of the status quo of the System on points with which he was not in agreement.

Chairman Martin stated that he refused to accept the proposed response to Mr. Hollister as a policy declaration by the Board. In his view it was a response to a request of the Hoover Commission for comments regarding certain specific statements concerning the System which had been made to the Commission by Mr. Patman. Chairman Martin went on to say that he, too, would have various suggestions to make regarding the organization and activities of the Federal Reserve System if he were called upon to prepare such a statement, but that he did not look upon the proposed reply as being other than a factual statement of information that would be of assistance to the Hoover Commission in analyzing the comments made by Mr. Patman in the three letters which he (Mr. Patman) had sent to Mr. Hoover.

It was understood that further consideration would be given to a revised draft of statement at a later meeting of the Board.

Governor Mills stated that Mr. Robert V. Fleming, President and Chairman of the Board of the Riggs National Bank of Washington, had inquired of Mr. Horbett, Assistant Director of the Board's Division of Bank Operations, regarding the possibility of obtaining for a committee of the

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American Bankers Association under the chairmanship of Sherman Adams, Deputy Manager of the Association, information prepared by the Board in 1950 regarding the uniform reserve plan and made available at that time to the Federal Advisory Council. Governor Mills added that Messrs. Thomas and Horbett had suggested that if the Board acceded to this request, information also be furnished which would show, in less detail on the basis of aggregate figures for classes of banks, how the plan would work out if applied at the present time. After explaining the origin and purpose of the request, Governor Mills stated that unless there were some fundamental objection to releasing the material as proposed he would suggest that it be furnished to Mr. Adams' committee.

Governor Szymczak raised the question whether it would be preferable to furnish the material through the Federal Advisory Council of which Mr. Fleming was a member.

After discussion, it was agreed unanimously that the material requested should be furnished to Mr. Adams with the understanding that Mr. Fleming would be advised that the Federal Advisory Council would be informed at its next meeting that Mr. Adams had been given the information.

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 April 30, 1954, were approved unanimously.

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Memoranda from appropriate individuals concerned recommending personnel actions as follows:

Appointments, effective upon the date of assuming duties

| <u>Name and title</u> | <u>Division</u> | <u>Type of appointment</u> | <u>Basic annual salary</u> |
|--|----------------------------|----------------------------|----------------------------|
| Kathryn P. Holland, Statistical Clerk | Bank Operations | Temporary indefinite | \$3,175 |
| Levernon Wood, Messenger | Administrative Services | Temporary (two months) | 2,552 |

Salary increases, effective May 9, 1954

| <u>Name and title</u> | <u>Division</u> | <u>Basic annual salary</u> | |
|--|-----------------|----------------------------|-----------|
| | | <u>From</u> | <u>To</u> |
| <u>Office of the Secretary</u> | | | |
| Zoe Gratsias, Minutes Clerk | | \$2,950 | \$3,030 |
| <u>Research and Statistics</u> | | | |
| Gladys M. Davis, Draftsman | | 3,030 | 3,110 |
| Athens J. Messick, Clerk-Stenographer | | 3,495 | 3,575 |
| Milton Moss, Economist | | 7,440 | 7,640 |
| Edward P. Snyder, Economist | | 5,185 | 5,310 |
| <u>International Finance</u> | | | |
| Pauline E. Hauver, Clerk | | 3,270 | 3,350 |
| <u>Examinations</u> | | | |
| F. C. Guth, Jr., Federal Reserve Examiner | | 7,440 | 7,640 |
| A. W. Hammons, Jr., Assistant Federal Reserve Examiner | | 3,795 | 3,920 |
| M. F. Johnson, Assistant Federal Reserve Examiner | | 5,245 | 5,370 |

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Salary increases, effective May 9, 1954 (continued)

| <u>Name and title</u> | <u>Division</u> | <u>Basic annual salary</u> | |
|---|---------------------------------|----------------------------|-----------|
| | | <u>From</u> | <u>To</u> |
| | <u>Examinations</u> | | |
| E. W. Lyster, Assistant Federal Reserve Examiner | | \$5,560 | \$5,685 |
| R. R. Russell, Assistant Federal Reserve Examiner | | 4,205 | 4,330 |
| Elizabeth Kropog, Secretary | | 3,335 | 3,535 |
| | <u>Office of the Controller</u> | | |
| Ruth Goodyear, Secretary | | 3,910 | 4,035 |

Approved unanimously.

Memorandum dated April 26, 1954, from Mr. Allen, Director,
Division of Personnel Administration, reading as follows:

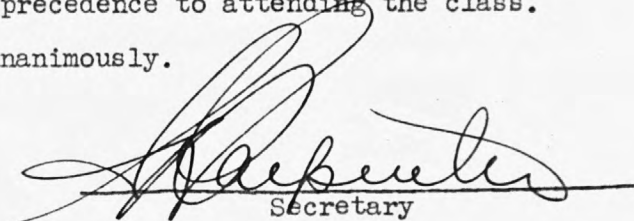
On January 19, 1954, the Board approved a recommendation that a small group of its staff attend oral Spanish instruction at the State Department for one hour each day. The purpose of such instruction was to prepare these individuals for the meeting next month of technicians of Central Banks.

In the attached memorandum of April 22 from Mr. Marget, the suggestion is now made that the instruction be continued until the early part of August. Two members of the group expect to lecture at the Center for Latin American Monetary Studies, and the additional instruction would be very helpful to them. The other members of the group have responsibility at the Board for visiting foreign groups, and the additional Spanish instruction would be helpful to them.

The State Department is willing to continue the class at no expense to the Board.

It is recommended that the Board approve the extension of the class with the understanding that the work of the Board will continue to take precedence to attending the class.

Approved unanimously.



Secretary