

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, September 23, 1954. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Szymczak
Mr. Vardaman
Mr. Mills
Mr. Robertson
Mr. Miller
Mr. Balderston

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Kenyon, Assistant Secretary
Mr. Vest, General Counsel
Mr. Johnson, Controller
Mr. Sprecher, Assistant Director,
Division of Personnel Administration
Mr. Hexter, Assistant General Counsel

Reference was made to the decisions reached by the Board at the meeting on September 21, 1954, with respect to the applicability to the Board and its staff of the Federal Employees' Group Life Insurance Act of 1954 and the integration of coverage for employees under that Act and under the current group life insurance policy written by the Connecticut General Life Insurance Company.

At the request of the Chairman, Mr. Carpenter made a statement in which he reported that agreement had been reached with Connecticut General on a three-paragraph rider to the group policy designed to carry into effect the program decided upon by the Board at the meeting on September 21. After distributing copies of the proposed amendment to the members of the Board, Mr. Carpenter discussed the provisions thereof and said that

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the amendment would be executed by the company today and would be brought to the Board's offices tomorrow for acceptance if the rider was agreeable to the Board. He also said that while the original contract with Connecticut General was executed in Illinois and is governed by Illinois law, it was understood that the amendment would be covered by the same law even if accepted in the District of Columbia. Although the rider would reduce somewhat the premium and also the annual dividend payable by the company at the end of the policy year, the insurance company had advised that the cost would be less to the Board than if the policy were left in full force unchanged until the end of the policy year on November 1, 1954.

Mr. Vest stated that study of the proposed amendment by the Legal Division indicated that it was in accordance with the Board's decision and would protect the Board's employees by eliminating the possibility that through some inadvertency an employee would not be covered under either the policy with Connecticut General or by insurance issued pursuant to the provisions of the new law.

Following a discussion, Chairman Martin suggested that Governors Mills and Robertson be designated to review and approve the proposed rider and the notice to be sent to the Board's employees concerning their options and privileges under the program agreed upon by the Board and that the Secretary be authorized, after such approval of the rider, to accept it on behalf of the Board.

This suggestion was approved.
Unanimous approval also was given,

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in this connection, to the following letter for the signature of the Chairman to The Honorable Philip Young, Chairman of the United States Civil Service Commission, Washington, D. C., which had been prepared pursuant to the understanding at the meeting on September 21:

The Board has received Mr. Irons' letter of August 25, 1954, stating that your Commission had granted to the Board of Governors of the Federal Reserve System an exception to the commencing date for coverage under Public Law 598 (the Federal Employees' Group Life Insurance Act of 1954) and had fixed the effective date for the Board of Governors as September 26, 1954.

The Board appreciates this action of your Commission and, in accordance therewith, the Board understands that insurance under the Federal Employees' Group Life Insurance Act of 1954 will automatically become effective for the members and the employees of the Board of Governors of the Federal Reserve System on September 26, 1954. The Board is proceeding to obtain waivers of coverage from employees who desire not to be insured under the plan and is setting up procedures for withholding of the members' and employees' share of the cost and for depositing such sums, together with the Board's contribution, in the Treasury, in accordance with section 5 of the Act.

Messrs. Sprecher and Hexter then withdrew from the meeting and Messrs. Leonard, Director, Division of Bank Operations, and Persina, Consulting Architect to the Board, entered the room.

At the request of the Board, Mr. Persina made a statement of his views with respect to the proposed new Louisville Branch building in the light of the discussion which the Board had with representatives of the Federal Reserve Bank of St. Louis on September 17, 1954. In the course of his comments, Mr. Persina said that good use had been made of the available land, that in his opinion the changes made in the exterior

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design of the structure, as revealed in the new perspective exhibited at the September 17 meeting, resulted in a measurable improvement, and that, putting aside certain personal preferences, he felt that a building very presentable in design would be obtained. Mr. Persina questioned, however, whether the stone pillars on the front of the officers' quarters, as provided under the new plan, need be of five feet depth to achieve the desired effects, either of appearance or of protection against light. With respect to security aspects, he considered that attention probably should be given to setting back the building several feet from the property line on the Liberty Street side and to raising the first floor window sill level on the same side, which he felt could be done without detracting appreciably from the lines and general appearance of the building.

Following a discussion based on Mr. Persina's comments, Chairman Martin said that although the design of the building might not appeal particularly to some of the members of the Board, it was his feeling that decisions of that nature should be left for the most part in the hands of the Reserve Bank and branch directors and the people who would have to live with the building. The Board of Governors, he thought, had discharged its principal responsibility if it assured itself that the cost of a proposed structure was not out of line and that security aspects were satisfactory. While he believed that the points Mr. Persina had made, particularly with regard to security matters, should be brought to the attention of the Reserve Bank and branch directors, he suggested that at the same time the

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Board might give its approval to the preparation of detail plans and specifications so that work might proceed even though reconsideration of certain points relating to design and security might be requested.

There was general agreement with Chairman Martin's approach, and accordingly it was agreed that Mr. Leonard should draft a letter to the Federal Reserve Bank of St. Louis, with the understanding that copies would be sent to the members of the Board for consideration at the meeting on Monday, September 27.

Governor Mills referred to the topic on the agenda for the Presidents' Conference which was held earlier in the week with respect to the plan under which deductions would be made by the Retirement Office from the retirement allowances for retired employees of the Federal Reserve Banks for hospital and surgical benefits. Governor Mills stated that the proposal had been approved by the Presidents and that, inasmuch as the increased cost involved would be very small, he would recommend that the Board give formal approval to the action.

Governor Mills' recommendation was approved unanimously.

At this point all of the members of the staff except Messrs. Carpenter and Johnson withdrew from the meeting.

Chairman Martin stated that after Mr. Arthur Flemming, Director of the Office of Defense Mobilization, met with the members of the Board and the Presidents of the Federal Reserve Banks on September 21, he inquired as to the possibility of obtaining someone from the Federal Reserve System,

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either on loan for a year or by outright resignation and employment by the Office of Defense Mobilization, to serve as Assistant Director in charge of defense stabilization. The Chairman said he told Mr. Flemming that he had no one in mind who might serve in that capacity but that he would present the matter to the Board.

In the ensuing discussion it was agreed that it would be preferable to avoid having a representative of the Federal Reserve System serve in that capacity and the names of a number of individuals not now connected with the System were suggested.

At the conclusion of the discussion, Chairman Martin stated that everyone might continue to think of individuals whose names might be offered so that when Mr. Brownlee, Special Consultant to Mr. Flemming, called in about ten days, as it was understood he would do, the Chairman would be in a position to give him any names that had been suggested.

Before this meeting there had been circulated among the members of the Board memoranda from Mr. Johnson (1) dated August 4, 1954, reviewing the budget performance for the first six months of 1954, and (2) dated September 13, 1954, submitting a draft of instructions for preparation of the Board's 1955 budget. In discussing the proposed instructions, Mr. Johnson called attention to the paragraph which would state that the 1955 budget should provide reductions to the extent that both the number of personnel and cost of operations would be lower than provided for in the 1954 budget, that all activities not essential and consistent with

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this policy should either be eliminated or postponed and all essential operations restricted to minimum scope and cost, and that wherever possible these essential operations should be reviewed as to 1955 requirements rather than in relation to 1954 budget operations.

Governor Mills suggested that the proposed instructions should permit the inclusion in the 1955 budget of certain new projects now under consideration by the Division of Research and Statistics which would require additions to the budget.

Governor Vardaman questioned the desirability of approaching the preparation of a budget in terms of cutting costs and felt the preferable approach would be to prepare the budget in terms of rendering necessary services as economically as possible. In the discussion of this point, he stated that he did not disagree with the policy of reducing costs wherever possible but that it should be in terms of rendering necessary services efficiently rather than pressure from the top that services rendered be restricted.

Chairman Martin referred to the efforts of the Government to reduce expenses and to the desirability of the Board following a similar policy. He made it clear that this policy did not mean the elimination of essential functions but rather the elimination of functions no longer needed and carrying on other activities as economically as would be consistent with effective performance.

During the discussion, Mr. Johnson read the following memorandum proposed to be sent by the Chairman to all Division Heads when the

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instructions for the preparation of the 1955 budgets were approved:

Instructions will be distributed soon for guidance in preparing division budgets for 1955. As in 1953, when your conscientious efforts were responsible for reducing 1954 budget estimates to approximate the 1953 budget total, I would like to ask the head of each division to assume personal charge of plans for reducing expenses in the coming year.

In line with the President's request for additional Federal economies when the Government's budget for the 1955-56 fiscal year is prepared, the 1955 budget of the Board should provide for reductions in personnel and in cost of operations. Every effort should be made to eliminate or postpone all nonessential activities, and to reduce to a minimum all essential operations. Wherever possible, budget estimates should be reviewed as to 1955 requirements rather than in relation to 1954 budget amounts.

With your help, reductions in the Board's expenses during 1955 will compare favorably with expected reduced Federal spending in the coming fiscal year.

The suggestion was made that in addition to sending the above memorandum, Chairman Martin also meet with the Division Heads for the purpose of discussing the basis for the preparation of the budget. The Chairman stated that he would be glad to follow that suggestion.

At the conclusion of the discussion, the memorandum quoted above and the instructions for preparing the 1955 budget, as submitted with Mr. Johnson's memorandum of September 13, 1954, were approved unanimously.

Chairman Martin suggested that in order that the members of the staff might have an opportunity to meet Governors Miller and Balderston, a reception be arranged in the cafeteria on Wednesday, September 29, at 4:00 p.m. during which light refreshments would be served.

This suggestion was approved.

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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 22, 1954, were approved unanimously.

Minutes of the meeting of the Board of Governors of the Federal Reserve System with the Presidents of the Federal Reserve Banks on September 22, 1954, were approved unanimously.

Letter to Mr. Crosse, Assistant Vice President, Federal Reserve Bank of New York, reading as follows:

In accordance with the request contained in your letter of September 15, 1954, the Board approves the appointment of Robert L. O'Keefe as an assistant examiner for the Federal Reserve Bank of New York. Please advise as to the date upon which the appointment is made effective and as to salary rate.

The Board also approves the designation of Stephan F. Livingston as a special assistant examiner for the Federal Reserve Bank of New York.

Approved unanimously.

Letter to Mr. Stetzelberger, Vice President, Federal Reserve Bank of Cleveland, reading as follows:

In accordance with the request contained in your letter of September 14, 1954, the Board approves the appointment of Harry W. Huning as an assistant examiner for the Federal Reserve Bank of Cleveland. Please advise as to the date upon which the appointment is made effective and as to salary rate.

Approved unanimously.

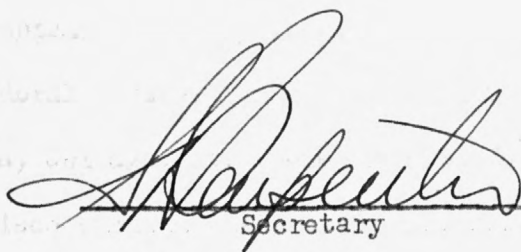
Letter to Mr. Pondrom, Vice President, Federal Reserve Bank of

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Dallas, reading as follows:

This refers to your letter of September 8 enclosing copy of a letter from Empire State Bank of Dallas, Dallas, Texas, indicating its desire to withdraw the application for authority to exercise limited trust powers, which had earlier been forwarded to the Board with your letter of May 28. As a consequence this application will be considered as having been withdrawn, and our files on this case will be closed.

Approved unanimously.


Secretary