

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, May 31, 1955. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
 Mr. Balderston, Vice Chairman
 Mr. Szymczak
 Mr. Robertson
 Mr. Shepardson

Mr. Carpenter, Secretary
 Mr. Sherman, Assistant Secretary
 Mr. Kenyon, Assistant Secretary
 Mr. Thurston, Assistant to the Board
 Mr. Vest, General Counsel
 Mr. Johnson, Controller, and Director,
 Division of Personnel Administration
 Mr. Sprecher, Assistant Director, Division
 of Personnel Administration
 Mr. Stetson, Personnel Technician, Division
 of Personnel Administration

The following matters, which had been circulated to the members of the Board, were presented for consideration and the action taken in each instance was as indicated:

Letter to Mr. Willis, Secretary, Federal Reserve Bank of New York, reading as follows:

Reference is made to your letter of May 20, 1955, advising that Mr. Henry G. Aubrey has been granted additional leave of absence without pay of approximately three weeks to June 20, including travel time. It is noted from your letter that the additional leave was granted on the same terms as the original leave and in response to a request by Mr. Alfred C. Wolf, Director of Research, Harvard-Pakistan Planning Board Project, Karachi, Pakistan, in order to permit Mr. Aubrey to work on the broader aspects of the report in connection with the completion of the Planning Board Program, in addition to his original assignment as economic consultant.

In the light of the circumstances, the Board of Governors interposes no objection to the extension of leave approved for Mr. Aubrey as described in your letter.

Approved unanimously.

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

Reference is made to your letter of May 20, 1955, regarding the request of the Lincoln Rochester Trust Company, Rochester, New York, for an extension of time within which to establish a branch at 101 Eastway Plaza, 1950 Empire Boulevard, in an unincorporated area of the Town of Penfield, Monroe County, New York.

After consideration of the information submitted, the Board concurs in your recommendation and extends to October 8, 1955, the time within which the Lincoln Rochester Trust Company may establish the above described branch.

Approved unanimously.

Letter to Mr. Howard C. Sheperd, Chairman of the Board, International Banking Corporation, New York, New York, reading as follows:

This refers to Mr. Thompson's letter of May 9, 1955 in reply to the Board's letter of May 4, 1955 regarding the disposition by your corporation of stock held by it of The First National Bank and Trust Company of Ossining.

Mr. Thompson's letter states that there has been no change in the intention to dispose of the stock as promptly as may prudently be done and without prejudice to the interests of your corporation, that the matter is reviewed periodically by your board of directors, and that the Board of Governors' letter will be referred to your board of directors' next monthly meeting to be held later in May.

The Board of Governors has no desire to cause your corporation to suffer a loss on this stock. However, it is impressed with the time that has elapsed without apparent progress toward disposing of the stock, and in the circumstances it will appreciate advice as to the action taken by your board of directors on the matter at its meeting this month.

Approved unanimously.

Letter to Mr. Peterson, Vice President, Federal Reserve Bank of St. Louis, reading as follows:

This will acknowledge your letter of April 29, 1955, concerning the continued violations of section 22(g) of the Federal Reserve Act by T. H. Van Sant, Cashier of The Callaway

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Bank, Fulton, Missouri, as certified by M. Moss Alexander, Federal Reserve Agent, February 11, 1955, pursuant to the provisions of section 30 of the Banking Act of 1933.

It is our understanding that you wish to postpone further action in the proceeding under section 30 of the Banking Act of 1933 until it can be ascertained if the next examination of the member bank discloses whether Mr. Van Sant has ceased his violative acts. While the historical record of Mr. Van Sant's violations does not afford a basis for encouragement that he will alter his practices, we will accede to your request that action be deferred until the next examination of the member bank.

The previous examination occurred as of the close of business September 27, 1954. In accordance with your proposal it is our expectation that the next examination will be begun at a considerably earlier date this year.

It would be appreciated if you would transmit information regarding this matter as soon after the conclusion of the next examination as is convenient.

Approved unanimously.

There was presented a request from Mr. Solomon, Assistant General Counsel, for approval of travel to St. Louis, Missouri, during the period May 16-19, 1955, to attend a meeting of the Special Subcommittee of Counsel on Personnel, a subcommittee of the Presidents' Conference engaged in a study of separation allowances in involuntary termination cases.

Approved unanimously.

In accordance with the understanding at the meeting on May 24, 1955, Mr. Thurston had prepared a revised draft of letter to the Honorable Rowland R. Hughes, Director of the Bureau of the Budget, concerning the Report on Personnel and Civil Service submitted by the Commission on Organization of the Executive Branch of the Government (the Hoover Commission). Copies had been sent to the members of the Board prior to this meeting.

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Following a discussion of the draft, during which certain minor changes were suggested, unanimous approval was given to a letter from Chairman Martin to Mr. Hughes reading as follows:

The Board of Governors appreciates the opportunity to review, in accordance with your request of March 4, 1955, the Report on Personnel and Civil Service submitted to the Congress by the Commission on Organization of the Executive Branch of the Government.

As suggested, the Board and members of the staff having responsibilities for personnel matters have considered the Commission's recommendations with a view to determining their application to this organization.

The recommendations in the Report are apparently derived principally from the experience and requirements of the larger governmental departments and agencies, which are covered by the Civil Service System. Existing personnel policies and practices of the Board of Governors are in accordance with a number of the recommendations, whereas others would not be applicable to an organization of the nature and size of the Board.

Accordingly, since it appears that the applicability of the Commission's recommendations relates generally to the problems and needs of the larger departments and agencies of the government, whose employees are under Civil Service, the Board is not undertaking to make detailed comments on the various proposals.

In advance of this meeting, there had been sent to the members of the Board drafts of letters (1) to the Federal Reserve Bank of Cleveland concerning the revised salary structure proposed by that Bank, and (2) to the Chairman of the Presidents' Conference regarding the question of separate salary structures for Reserve Banks and branches whenever necessary to maintain a close relationship to community wage levels. These drafts were prepared in accordance with the understanding at the meeting on May 27, 1955.

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At the request of Chairman Martin, Governor Balderston reviewed the Board's previous discussions and stated that the drafts reflected the approach favored by the majority of the Board members present at the meeting on May 27. He then suggested minor changes in the language of the proposed letter to the Federal Reserve Bank of Cleveland.

Approval then was given to letters reading as follows, Governor Szymczak voting "no" with respect to the letter to President Fulton for reasons which he stated at the meeting on May 27:

Letter to Mr. Fulton, President, Federal Reserve Bank of Cleveland

With respect to your letter of May 13, 1955, the Board of Governors approves the following minimum and maximum salaries for the respective grades of a salary structure to be applicable to the Head Office and Pittsburgh Branch of the Federal Reserve Bank of Cleveland effective April 24, 1955.

<u>Grade</u>	<u>Minimum Salary</u>	<u>Maximum Salary</u>
1	\$1,950	\$2,574
2	2,158	2,782
3	2,340	3,120
4	2,522	3,458
5	2,782	3,718
6	3,042	3,978
7	3,328	4,420
8	3,640	4,888
9	4,030	5,278
10	4,394	5,798
11	4,732	6,292
12	5,226	6,942
13	5,772	7,644
14	6,422	8,606
15	7,228	9,724
16	8,086	11,050

The Board has considered the proposed structure as applied to the Cincinnati Branch and believes that a somewhat lower salary structure might better reflect the market in

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that city. Accordingly, it would be appreciated if your Bank would consider promptly the desirability of establishing a separate salary structure applicable only to that Office. It is understood that salary adjustments contemplated to be effective on April 24, 1955, can be made at Cincinnati under the present structure.

It is recognized that this action is not in accordance with the Board's letter of June 17, 1947, expressing the view that, wherever feasible, a Bank and its branches should operate under the same salary structure. Experience with the salary administration plan has demonstrated that it is difficult to attain this objective and at the same time to have salary scales conform closely enough to the local community levels. In view of this conflict, the Board has asked President Young, as Chairman of the Presidents' Conference, to place on the agenda for discussion at the next meeting of the Conference the desirability of a separate salary structure for each Federal Reserve Bank and branch wherever that is necessary in order to maintain a close relationship to community wage levels.

Letter to Mr. Young, Chairman, Conference of Presidents of the Federal Reserve Banks

When the job evaluation and classification program for employees of Federal Reserve Banks was under discussion in 1947, the Board, in its letter of June 17, 1947, stated its views with respect to the salary structures of the different Federal Reserve Banks and Branches as follows:

"It is noted that the Presidents are of the opinion that pay scales for jobs at each Bank should be comparable to rates paid in the respective cities by the progressive industrial, commercial, financial, and utility enterprises in those cities. It appears that they are in agreement that the Federal Reserve Banks should be in line with the leaders in salary administration in their respective areas and that, in general, the mid-point of the salary range of the respective Reserve Banks should be in the next to the highest quarter bracket of the quality community rate structure. However, it is understood that the data obtained from such sources indicate that there are substantial geographical differentials amounting to as much as a 40 per cent spread between the highest and lowest wage structures. The Board believes that such a spread

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between salaries for comparable jobs in the Reserve Banks would not be justified and that there should be a more nearly consistent relationship throughout the System. It is the thought of the Board that a spread of 25 per cent between the highest and lowest maximum and between the highest and lowest minimum of each of the 16 classification grades would be ample to provide for reasonable variations on a geographical basis. To this end, it appears that the lower wage structures in some of the Federal Reserve Banks will need to be raised in order to bring them within a range not exceeding 25 per cent below the highest wage structure in the System. The Board feels that the different wage structures among the various Banks should be held to a small number and that wherever reasonably feasible, a Bank and its Branches should operate under the same structure. It will be the objective from time to time to narrow the spread between the wage structures and to reduce the number of different wage structures."

In the intervening years, experience with the plan has demonstrated that it is difficult to attain this objective and at the same time maintain a close relationship between the salary schedule and local community levels.

Recently, in connection with the consideration of a salary structure proposed by a Federal Reserve Bank for its head office and branches, the suggestion was made that it would be desirable to adopt a separate salary structure for each Federal Reserve Bank and Branch wherever that is necessary to relate the structure closely to local salary levels. The Board is considering this suggestion and would appreciate it if you would place this topic on the agenda for discussion at the next meeting of the Presidents' Conference so that the Board of Governors may have the benefit of the Presidents' views. It is still the view of the Board that the midpoint of the salary range of the respective salary structures should be in the next to the highest quarter bracket of the quality community rate structure. The only question that is being raised at this time is the desirability of formally departing from the general policy stated in the Board's letter for limiting the number of salary structures in a Federal Reserve district.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on May 27, 1955, were approved unanimously.

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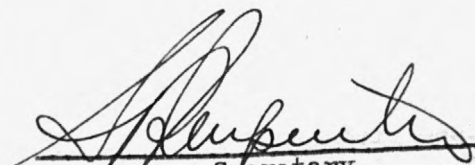
All of the members of the staff then withdrew from the meeting and the Board went into executive session.

The Secretary later was informed by the Chairman that during the executive session the Board approved the following letter for the Chairman's signature to the Honorable Eugene Meyer, Washington, D. C., a former Governor of the Federal Reserve Board:

Thank you for your nice letter of May 26 with respect to permitting Mr. Bray Hammond to consult the files and records of the Board in connection with the period during which you served as head of the Federal Reserve System.

I have discussed this matter with the Board this morning, and they are very glad to be of service in this connection. You can tell Mr. Hammond that authority is granted to him, and if either you or he has any problems, I will be glad to consult personally with you at any time.

The meeting then adjourned.


Secretary