Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, August 29, 1955. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Vardaman
Mr. Mills
Mr. Shepardson

Mr. Carpenter, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Johnson, Controller, and Director, Division of Personnel Administration
Mr. Sprecher, Assistant Director, 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. Morrill, Assistant Vice President, Federal Reserve Bank of San Francisco, reading as follows:

In accordance with the request contained in your letter of August 16, 1955, the Board approves the designation of the following as special assistant examiners for the Federal Reserve Bank of San Francisco for the purpose of participating in the examinations of State member banks except the bank listed immediately above their names:

Tracy-Collins Trust Company, Salt Lake City, Utah
L. C. Grundvig

The Continental Bank and Trust Company, Salt Lake City, Utah
D. W. Sheets

Walker Bank and Trust Company, Salt Lake City, Utah
A. E. Stephens

The Board also approves the designation of L. L. Lee as a special assistant examiner for the Federal Reserve Bank of San Francisco for the specific purpose of rendering assistance
in the examination of State member banks only. The authorization heretofore given to your bank to designate him as a special assistant examiner is hereby cancelled.

The Board also approves the designations of C. E. Price and C. C. Shaw as special assistant examiners for the Federal Reserve Bank of San Francisco.

Appropriate notations have been made on our records of the names to be deleted from the list of assistant examiners and special assistant examiners.

Approved unanimously.

Letter to Mr. Diercks, Vice President, Federal Reserve Bank of Chicago, reading as follows:

Reference is made to your letter of August 19, 1955, submitting the request of the Citizens Commercial & Savings Bank, Flint, Michigan, for a further extension of time within which to establish a branch at the southeast corner of Court Street and Dort Highway, Flint, Michigan, due to an additional delay encountered in completing the building program.

After consideration of the information submitted and your favorable recommendation, the Board extends to November 15, 1955, the time within which the establishment of the branch, which was approved as to its present site in the Board's letter of November 1, 1954, may be accomplished.

Approved unanimously.

Letter to Mr. Woolley, Vice President, Federal Reserve Bank of Kansas City, reading as follows:

Reference is made to your letter of August 15, 1955, submitting with a favorable recommendation a request of the Rogers County Bank, Claremore, Oklahoma, for permission under section 24A of the Federal Reserve Act to invest not exceeding $110,000 for the purpose of enlarging and remodeling its present banking premises, including the cost of certain equipment, furniture and fixtures. It is noted the carrying values of banking house and furniture and fixtures are $10,000 and $500, respectively, at the present time.
The Board has given consideration to the asset condition, management, earnings, capital structure, and physical needs of the Rogers County Bank and approves the investment of not to exceed $110,000 for the proposed remodeling program, provided the carrying values of banking premises and furniture and fixtures are reduced to $70,000 and $15,000, respectively, by blanket charge-offs aggregating $35,500 when the remodeling is completed. It is understood that, thereafter, a satisfactory program for depreciating fixed assets is to be adopted. Please advise the bank accordingly.

Approved unanimously.

There was presented a request from Mr. Myrick, Assistant Director, Division of Bank Operations, for authority to travel to Cleveland, Ohio, on August 30 and 31, 1955, to attend a meeting of the Presidents' Conference Subcommittee on Cash, Leased Wire, and Sundry Operations.

Approved unanimously.

There were presented telegrams to the Federal Reserve Banks listed below approving the establishment without change, on the dates indicated, of the rates of discount and purchase in their existing schedules:

- San Francisco: August 24
- New York: August 25
- Cleveland: August 25
- Richmond: August 25
- Chicago: August 25
- Minneapolis: August 25
- Dallas: August 25

Approved unanimously.

At the meeting on August 25, 1955, consideration was given to a request from the Federal Reserve Bank of Chicago for approval of an upward adjustment averaging 10 per cent in the salary structure applicable to head office employees. Certain questions were raised regarding the Detroit
Branch salary structure, and under date of August 25 Mr. Sprecher submitted a memorandum to the Board discussing those questions in the light of a telephone conversation with Mr. Dawes, Vice President of the Chicago Reserve Bank. In the memorandum, copies of which had been sent to the members of the Board, Mr. Sprecher stated that the head office participates in a wage survey conducted by an outside organization twice each year, while the Detroit Branch, having no comparable outside organization available in that city, makes its own wage survey once each year. It was further stated that the branch survey for 1955 had been started and that the results probably would be available before the end of the year. At the time of the last branch survey, which was made in August 1954, it was found that the community wage market had moved somewhat ahead of the branch salary structure and, although the branch management concluded at that time that the situation could be handled administratively for a temporary period, the Reserve Bank anticipated that if the current survey showed that an unfavorable relationship still existed, a recommendation similar to that of the head office proposal would be submitted to the Board of Governors.

Following comments by Mr. Sprecher concerning his telephone conversation with Vice President Dawes, there was a discussion of the relationship between the head office and branch salary structures during which Governor Vardaman referred to the possibility of discrimination against the branch employees by virtue of the fact that in that city a wage survey is
made only once each year, while in Chicago the Reserve Bank has the benefit of two surveys each year. Although he agreed that the proposed structure at the head office should be approved, he suggested that the Reserve Bank be urged to expedite the current branch survey so that any necessary adjustment in the branch salary structure might be made as promptly as possible. He also stated that in the interest of good administration and uniformity of treatment, it seemed that the Reserve Banks should be encouraged to conduct wage surveys in the head office and branch cities on a comparable basis whenever possible.

Following further discussion, unanimous approval was given to a letter to Mr. Meyer, Vice President of the Federal Reserve Bank of Chicago, in the following form:

Reference is made to your letter of July 15, 1955, in which your Bank requests the Board's approval of an upward adjustment of 10 per cent in the salary structure applicable to your Chicago office.

The Board approves the following minimum and maximum salaries for the respective grades for the Federal Reserve Bank of Chicago, effective September 1, 1955:

<table>
<thead>
<tr>
<th>Grade</th>
<th>Minimum Salary</th>
<th>Maximum Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$2135</td>
<td>$2885</td>
</tr>
<tr>
<td>2</td>
<td>2340</td>
<td>3170</td>
</tr>
<tr>
<td>3</td>
<td>2585</td>
<td>3495</td>
</tr>
<tr>
<td>4</td>
<td>2855</td>
<td>3865</td>
</tr>
<tr>
<td>5</td>
<td>3125</td>
<td>4225</td>
</tr>
<tr>
<td>6</td>
<td>3470</td>
<td>4700</td>
</tr>
<tr>
<td>7</td>
<td>3895</td>
<td>5265</td>
</tr>
<tr>
<td>8</td>
<td>4245</td>
<td>5745</td>
</tr>
<tr>
<td>9</td>
<td>4690</td>
<td>6350</td>
</tr>
<tr>
<td>10</td>
<td>5145</td>
<td>6965</td>
</tr>
</tbody>
</table>
The Board approves the payment of salaries to the employees, other than officers, within the limits specified for the grades in which the positions of the respective employees are classified. It is assumed that all employees whose salaries are below the minimum of their grades as a result of the structure increase will be brought within the appropriate range as soon as practicable and not later than December 31, 1955.

It is the Board's understanding that the cost of contemplated salary increases resulting from this increase in salary ranges has been provided for in your budget for the current year.

The Board understands that a salary survey at the Detroit Branch is now in progress, and it hopes that the results will be available as soon as possible to eliminate any salary lag arising out of the difference in the number of surveys during a year at the Head Office and the Branch.

Mr. Sprecher then withdrew from the meeting.

Pursuant to the procedure prescribed in the Statement of Budgetary Principles and Procedure which was approved by the Board on September 16, 1953, six divisions and offices had submitted requests for approval of estimated overexpenditures in various budget account classifications for the year 1955. These requests had been circulated to the members of the Board with a covering memorandum from Mr. Johnson dated August 19, 1955, which discussed the reasons for the budget excesses and recommended that they be
approved by the Board. The overexpenditures for which approval was sought were as follows:

<table>
<thead>
<tr>
<th>Division</th>
<th>Account Classification</th>
<th>Excess Amount</th>
<th>Per Cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Secretary</td>
<td>Books and Subscriptions</td>
<td>$75</td>
<td>100</td>
</tr>
<tr>
<td>Legal</td>
<td>Printing and Binding</td>
<td>325</td>
<td>144</td>
</tr>
<tr>
<td></td>
<td>Stationery and Supplies</td>
<td>300</td>
<td>60</td>
</tr>
<tr>
<td>Controller</td>
<td>Salaries</td>
<td>8,000</td>
<td>12</td>
</tr>
<tr>
<td>Examinations</td>
<td>Repairs and Maintenance</td>
<td>120</td>
<td>34</td>
</tr>
<tr>
<td></td>
<td>(Furniture and Equipment)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank Operations</td>
<td>Stationery and Supplies</td>
<td>650</td>
<td>52</td>
</tr>
<tr>
<td>Personnel</td>
<td>All Other</td>
<td>4,100</td>
<td>163</td>
</tr>
</tbody>
</table>

Following comments by Mr. Johnson, the estimated excess expenditures were approved unanimously.

Governor Mills referred to the desirability of establishing certain broad policies for the guidance of the various divisions of the Board in preparing their 1956 budgets, particularly in view of the fact that there were pending a number of special projects, mostly of a research or statistical nature, which would involve sizable expenditures. He pointed out that several of these projects had been mentioned in discussions at meetings of the Board but that no indication had been given as to whether the Board wished to have provision made for items of this kind in the 1956 budget.

Mr. Johnson commented that the necessity for establishing a policy approach to the 1956 Board budget had been discussed with Governor Balderston
before he left for Europe, that Governor Balderston had requested that a policy indication to the divisions be deferred until his return, at which time he intended to meet with the division heads, and that in the meantime certain preliminary work of a routine nature could be accomplished by the respective offices.

Governor Vardaman suggested the possibility of preparing a regular budget and a separate list of special projects to which the Board could give particular attention from the standpoint of policy.

Governor Shepardson stated that in his opinion a procedure along the lines suggested by Governor Vardaman would have merit. He also said that it was his impression from conversations with the staff that under the present budgetary restrictions in the interest of economy, expenditures might have been curtailed in some areas to the extent of affecting the efficiency of operations.

Chairman Martin commented that the policy of the Administration was to effect all possible budget economies and that it had seemed desirable for the Board to follow the same general approach. He pointed out that there are always numerous worth-while projects which might be undertaken and that some selectivity is necessary. At the same time, he felt that the System had reached a point where it was vital to have the point of view of competent outside personnel on matters of System policy, and he said that he strongly favored any program of seminars, conferences, or temporary appointments which might serve the purpose of giving the Board the benefit of the advice of such persons.
After further comments by members of the Board, Chairman Martin stated that any policy approach to the 1956 budget which might be worked out by Governor Balderston and the other members of the Board in his absence would be agreeable to him.

Mr. Johnson then withdrew from the meeting.

Chairman Martin referred to the probability that, inasmuch as the Atlanta discount rate had moved to 2-1/4 per cent, other Federal Reserve Banks would act to establish the same rate. If so, he suggested that such Banks be advised that the Board approved the 2-1/4 per cent rate along with appropriate subsidiary rates on discounts and advances which might be established, that the other Federal Reserve Banks be advised by telegram, and that the usual press statement be issued.

Chairman Martin's suggestion was approved unanimously.

Secretary's Note: Pursuant to this action, the following telegram was sent later in the day to Mr. Johns, President of the Federal Reserve Bank of St. Louis:

Reurtel today. Board approves effective August 30, 1955, rates of 2-1/4 per cent on discounts for and advances to member banks under Sections 13 and 13a, and 2-3/4 per cent on advances to member banks under Section 10(b). Otherwise, Board approves establishment by your Bank, without change, of rates of discount and purchase in Bank's existing schedule. Board's announcement on change in discount rate is being given to press at 3:30 p.m. EDT today for immediate release.

The Secretary reported receipt by the staff of an informal inquiry from the International Cooperation Administration as to the possibility of the Board authorizing a member of its staff to go to Paris in the latter...
part of September to attend certain meetings concerned with problems of inflation in Europe. He said the Division of International Finance did not feel that the Board would have a sufficient interest in the meetings to authorize the sending of a member of the staff from Washington, particularly since the International Cooperation Administration was not in a position to pay any of the expenses incident to the trip except per diem. He also said that a question had been raised with regard to the possibility of having Mr. Thomas, Economic Adviser to the Board, remain in Europe to attend the meetings, but that such an arrangement did not seem to be feasible in view of the fact that Mr. Thomas was scheduled to begin his return trip to the United States on or about September 10 and the meetings in Paris would not begin until more than two weeks after that date. In the circumstances, he said, it was suggested that an informal indication be given to the International Cooperation Administration that the Board was not in a position to have a member of its staff participate in the meetings.

There was unanimous agreement with this suggestion.

The Secretary referred to the fact that at the joint meeting of the Board and the Presidents of the Federal Reserve Banks on June 22, 1955, the Presidents reported having appointed a Special Committee on Studies of the Banking Structure, with Mr. Williams as Chairman, to explore the significance of changes in the banking structure and the altered competitive relationships arising out of the current activity in mergers and consolidations,
expansion of branch systems, and developments in the bank holding company field. He said that he had received a telephone call from President Williams, who expressed the view that as a first step in its studies the Committee should undertake to develop factual information and inquired whether the Board would be willing to designate one of its members to work with the Committee. It was recognized by the Committee, Mr. Carpenter said, that the studies might well require the services of appropriate staff members at the Reserve Banks and the Board, including persons in the fields of examination, research, and bank and public relations.

Chairman Martin suggested that Governor Robertson be designated as the member of the Board to work with the Special Committee.

This suggestion was approved unanimously.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on August 25, 1955, were approved unanimously and the actions recorded in those minutes were ratified by unanimous vote.

The meeting then adjourned.

Secretary's Note: With the approval of the available members of the Board, a memorandum was sent to all members of the Board's staff on August 26, 1955, concerning the solicitation of contributions by the American Red Cross in connection with the special relief program for the victims of the flood disaster in the northeastern United States.