

Minutes for April 20, 1956

To: Members of the Board

From: Office of the Secretary

Attached is a copy of the minutes of the Board of Governors of the Federal Reserve System on the above date.

It is not proposed to include a statement with respect to any of the entries in this set of minutes in the record of policy actions required to be maintained pursuant to section 10 of the Federal Reserve Act.

Should you have any question with regard to the minutes, it will be appreciated if you will advise the Secretary's Office. Otherwise, if you were present at the meeting, please initial in column A below to indicate that you approve the minutes. If you were not present, please initial in column B below to indicate that you have seen the minutes.

	A	B
Chm. Martin	X ← <u>MS</u>	<u>M</u>
Gov. Szymczak	X <u>MS</u>	
Gov. Vardaman	X <u>V</u>	
Gov. Mills	X <u>MS</u>	
Gov. Robertson	X <u>R</u>	
Gov. Balderston	X <u>CB</u>	
Gov. Shepardson	X <u>SS</u>	

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, April 20, 1956. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Balderston, Vice Chairman  
 Mr. Szymczak  
 Mr. Vardaman  
 Mr. Mills  
 Mr. Robertson  
 Mr. Shepardson

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

There were presented memoranda from Mr. Sloan, Director, Division of Examinations, recommending (1) the appointment of William E. Rumbarger and Carl A. Zimmerman as Assistant Federal Reserve Examiners in that Division, with basic annual salaries at the rate of \$4,930 and \$4,080, respectively, effective upon assuming their duties, and (2) acceptance of the resignation of Robert C. Griffin as Assistant Federal Reserve Examiner, effective July 13, 1956.

Approved, Governor Vardaman  
 not voting for reasons which he had  
 stated at previous meetings of the  
 Board.

There were presented telegrams to the following Federal Reserve Banks approving the establishment without change by those Banks on the

4/20/56

-2-

dates indicated of the rates of discount and purchase in their existing schedules:

Atlanta	April 16
New York	April 19
Philadelphia	April 19
Kansas City	April 19

Approved unanimously.

There had been circulated to the members of the Board a memorandum dated April 16, 1956, from the Division of Personnel Administration relating to a request from the Federal Reserve Bank of Dallas for approval of proposed adjustments in the employee salary structures currently in effect for the head office and branches. The proposed adjustments, which resulted from salary surveys conducted recently in the head office and branch cities in the Dallas District, would increase three of the four current salary structures by amounts ranging from 5 to 15 per cent. The action would have the effect of reestablishing two salary structures for the District in place of the four separate structures now in effect. One structure would be applicable to the head office and the Houston and El Paso branches and the other to the San Antonio Branch. The memorandum recommended that the proposal be approved by the Board.

At the request of the Board, Mr. Johnson commented on certain phases of the proposal, particularly the decision of the Reserve Bank against including oil companies in its community wage surveys because it

4/20/56

-3-

felt their inclusion provided an average wage trend line higher than the representative wage market would create.

During the course of Mr. Johnson's comments, Chairman Martin joined the meeting.

In a further discussion of the Dallas proposal, Governor Balderston stated that in the Philadelphia area it had also been found that oil company salaries were noticeably high against the central tendency of the market. He pointed out that in the case of the oil companies the percentage of labor cost to total cost is small, running the neighborhood of about 10 per cent. He considered the Dallas proposal satisfactory, including the consolidation of the head office and El Paso and Houston branch structures into a single structure.

Thereupon, unanimous approval was given to a letter to Mr. Irons, President of the Federal Reserve Bank of Dallas, reading as follows:

Reference is made to your letter of April 12, 1956, in which you request that the Board of Governors approve adjustments in the salary structures of the Federal Reserve Bank of Dallas and its three Branches.

The Board approves the following minimum and maximum salaries for the respective grades of the Federal Reserve Bank of Dallas and Branches effective April 1, 1956:

Grade	Head Office, El Paso and Houston Branches		San Antonio Branch	
	Minimum Salary	Maximum Salary	Minimum Salary	Maximum Salary
1	\$ 2100	\$ 2425	\$ 2100	\$ 2315
2	2160	2800	2130	2645
3	2290	3090	2160	2870

4/20/56

-4-

Grade	Head Office, El Paso and Houston Branches		San Antonio Branch	
	Minimum Salary	Maximum Salary	Minimum Salary	Maximum Salary
4	\$ 2500	\$ 3375	\$ 2340	\$ 3160
5	2770	3740	2575	3475
6	3065	4140	2830	3820
7	3380	4565	3125	4220
8	3740	5050	3450	4660
9	4145	5595	3830	5170
10	4595	6205	4240	5725
11	5115	6905	4700	6345
12	5700	7695	5230	7060
13	6360	8585	5820	7855
14	7090	9570	6475	8740
15	7915	10685	7220	9745
16	8825	11915	8035	10845

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 minimums of their grades as a result of these structure adjustments will be brought within the appropriate range as soon as practicable and not later than July 1, 1956.

The Board notes that while no specific provision was made in the 1956 budget of your Bank for the increased structures, salary expenses resulting therefrom are not expected to exceed the funds already provided.

At this point Messrs. Johnson and Sprecher withdrew from the meeting and Messrs. Leonard, Director, Division of Bank Operations, Noyes, Adviser, Division of Research and Statistics, and Allison, Special Consultant to the Board, entered the room.

Chairman Martin presented a defense planning matter to the Board. A memorandum on this subject, including a statement of the actions agreed upon by the Board, has been placed with other defense planning material in the safe located on the second floor of the building.

4/20/56

-5-

Governor Robertson then referred to previous discussion by the Board relating to the possibility of constructing vault facilities at certain military installations for the storage of reserve supplies of currency which might be used in the event of an emergency. He said that at a recent meeting at the Treasury Department, at which Mr. Leonard represented the Board, General Services Administration was asked to undertake to suggest suitable sites where such a vault might be constructed and to offer suggestions as to the type, size, and cost of a suitable vault. Since such preliminary work by General Services Administration might involve some cost and the Treasury did not have funds available for reimbursement, the question arose whether the Federal Reserve would pay the costs. Governor Robertson expressed the view that the Board should agree to reimburse General Services Administration.

Mr. Leonard then reviewed the discussion at the meeting in more detail and pointed out that reimbursement to General Services Administration would be based on provisions of the law having to do with the cost of issuing Federal Reserve notes. He stated that from the discussion at the meeting it seemed quite possible that no charge would be involved for the preliminary work, and that in any event it should be quite small. The additional question was raised, he said, whether, if such a vault should be constructed, it might also be used to store Treasury currency and Treasury securities. He went on to say that a Treasury representative

4/20/56

-6-

suggested some kind of prorating of costs if such a procedure should be agreed upon.

Governor Robertson said that, as he saw it, all that was needed at this time was an understanding that if there were costs involved in the preliminary work to be done by General Services Administration, the Board would make reimbursement to that agency.

Governor Vardaman said he would have no objection provided that record was clear that no blanket authority was being given to the Treasury or General Services Administration at this time.

Governor Robertson responded that this was not the intent and that the matter would be brought back to the Board in the light of further developments.

Thereupon, it was agreed unani-  
mously that if General Services Ad-  
ministration should incur costs in  
connection with the preliminary work  
referred to by Governor Robertson  
and should request reimbursement  
therefor, the Board would make reim-  
bursement to that agency.

There followed a discussion of a proposal, outlined by Governor Robertson, which would constitute an approach to the responsibilities vested in the Board pursuant to Defense Mobilization Order I-20 for encouraging preparedness measures designed to assure continuity of operations of the commercial banking system in the event of enemy attack. The proposal contemplated the development of a program by organized banking

4/20/56

-7-

through the American Bankers Association. Mr. Allison had conferred with Mr. Merle E. Selecman, Executive Manager of the Association, and from a list of bankers suggested by Mr. Selecman by virtue of their work in the Association there had been selected seven men whom it was proposed to invite to a meeting at the Federal Reserve Building in May for the purpose of launching the program. Mr. Selecman would also be invited, as would the Secretary of the Treasury, the Director of Defense Mobilization, the President of the Federal Advisory Council, the President of the American Bankers Association, the Comptroller of the Currency, the Chairman of the Federal Deposit Insurance Corporation, and one Federal Reserve Bank President. At this meeting the Federal Reserve point of view would be presented, there would be discussion of the over-all proposition, and ideas would be obtained for getting the program into operation. While it would be understood that the Federal Reserve would cooperate in the program, it would also be understood that the major responsibility for formulating the program and carrying it forward would rest with the banking industry itself, with leadership being furnished by the American Bankers Association and such committees as might be established by the Association for the purpose.

Mr. Leonard noted that such plans had been developed by the insurance, steel, and chemical industries, the latter two plans having been worked out in cooperation with the Department of Commerce.

Mr. Vest commented that from the description of the program he did not see any reason which would suggest that the anti-trust laws might



4/20/56

-8-

be construed to be applicable. He raised the possibility, he said, merely so that it might be borne in mind.

In a further discussion Governor Vardaman expressed the opinion that there would be an excellent response to the program on the part of the banking fraternity and said he thought this was the appropriate way to proceed.

At the conclusion of the discussion, unanimous agreement was expressed with the procedure outlined by Governor Robertson and it was understood that plans would go forward for the meeting to which he had referred.

In connection with the foregoing action, Governor Robertson said that in order to assure coordination within the Federal Reserve System concerning the program, he would talk by telephone with Mr. Sproul, Chairman of the Presidents' Conference Special Committee on Emergency Operations, and inform him of developments. Later, he would also meet with the Special Committee.

At this point all the members of the staff, with the exception of the Secretary, withdrew from the meeting.

Governor Balderston referred to a memorandum dated April 19, 1956, which had been distributed before this meeting and in which he suggested that, in order more fully to assure the members of the Board ample opportunity to discuss any questions that might arise either before or

4/20/56

-9-

at a meeting of the Board with respect to proposed personnel actions, all personnel matters (after being circulated to the individual members of the Board) be made the last item on the meeting agenda. This would be with the understanding that before the meeting there would be sent to the individual members of the Board a summary of the personnel matters to be considered at the meeting, that the Director or Assistant Director of the Division of Personnel Administration would be present to answer any questions, and that if desired by any member of the Board any item could be considered in executive session.

Governor Balderston stated that it was his view that the members of the Board should be able to raise any question that they might have, not only before the meeting, but also when a particular matter was being considered at the meeting, and that his suggestion was being made with that in mind.

Governor Robertson suggested as an alternative procedure that Governor Balderston be authorized to approve on behalf of the Board all proposed actions relating to the members of the Board's staff other than the Assistant to the Board, Assistant to the Chairman, Economic Adviser to the Board, Legislative Counsel, Special Assistant to the Board, and the Directors and Assistant Directors of the various Divisions of the staff. It was Governor Robertson's opinion that such an arrangement would make for better administration and that the Board could rely on

4/20/56

-10-

the Vice Chairman to pass on all matters of this kind rather than to have them circulated to the entire Board and brought up at a meeting. He also suggested that, in place of the existing procedure, approval of appointments of examiners, assistant examiners, and other examiners at the Federal Reserve Banks be delegated to the Director of the Division of Examinations or to a single member of the Board. It was his thought that examiners or assistant examiners at the Reserve Banks should be passed on by a member of the Board and that special assistant examiners could be passed on by the Director or Assistant Director of the Division of Examinations. He also said that if this procedure were followed reports of actions taken under this authority could be submitted to the Board monthly or quarterly.

Governor Vardaman referred to the suggestion which he had made previously that the Board return to the procedure followed prior to September 29, 1954, which provided that all personnel matters should be discussed by the Director or Assistant Director of the Division of Personnel Administration with the individual members of the Board and that when the proposed actions were approved by the available members of the Board they were entered in the minutes. He said he favored this procedure because it enabled a member of the Board, in the quiet of his office, in conference with the Director or Assistant Director of the Division of Personnel Administration, quickly to settle any question that he might

4/20/56

-11-

have and if a question could not be answered in that manner, the matter could be brought up for consideration by the Board. He had not understood, he said, that the September 1954 action would change that procedure. He expressed the view that Governor Balderston's suggestion would add another document to the agenda distributed before each meeting of the Board but would not improve the existing procedure to enable the members of the Board to know fully what was being discussed, and that it would be better to return to the procedure in effect prior to September 1954 as the more effective and expeditious way to keep the members of the Board fully informed.

Chairman Martin questioned whether any procedure was as satisfactory as one which would require all matters to come before a meeting of the Board. He felt that the only way personnel matters could be handled without undue burden on the staff and at the same time keep the members of the Board fully informed was to bring them up at a meeting. He said he had watched the clock when personnel matters were being discussed by the Board and had observed that the existing procedure did not take long and that in his view it was a procedure under which no one could say that he had not had an opportunity to raise any question that he might desire.

Governor Vardaman said that the only point in which he would disagree with the Chairman's statement was that he felt that instead of

4/20/56

-12-

having personnel matters circulated it would be better to have them grouped and carried around to the individual members of the Board.

Chairman Martin stated that he would disagree with that procedure because the members were not always in their offices and he did not believe the Director or Assistant Director of Personnel should be put under the necessity of discussing with every member of the Board every proposed personnel action. He believed that if any member felt that any matter was important enough to confer with the Division of Personnel Administration the burden was his to initiate the conference, and that it was a difficult operation for the Director or Assistant Director of Personnel to discuss every personnel action with every member of the Board.

Referring to Governor Robertson's suggestion, Governor Shepardson pointed out that many of the personnel actions coming before the Board were one-step salary increases or increases resulting from reclassification which, in the absence of special circumstances, are approved automatically by the Board as coming within an approved salary structure. He saw no purpose in circulating or bringing these items before the Board.

Governor Vardaman stated that he was perfectly willing to approve Governor Robertson's suggestion and that what he objected to was trying to act intelligently on something at a meeting of the Board which he did not know anything about.

4/20/56

-13-

Governor Robertson then renewed his suggestion with respect to approval of proposed personnel actions. Governor Vardaman suggested that Governor Balderston also be authorized to approve on behalf of the Board appointments of examiners, assistant examiners, and other examiners at Federal Reserve Banks.

Governor Mills raised a question as to the legal authority of the Board to grant such authorization and it was stated that if the authorizations were in the form of the action taken at the meeting on February 2, 1956, when Governor Balderston was authorized to approve certain appointments to the Board's staff, the requirements of the law would be met.

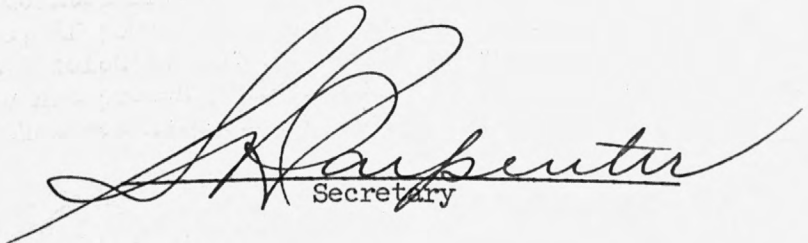
After some further discussion it was voted unanimously to authorize Governor Balderston to approve on behalf of the Board (1) all proposed personnel actions relating to members of the Board's staff other than the Assistant to the Board, the Assistant to the Chairman, the Economic Adviser to the Board, the Legislative Counsel, the Special Assistant to the Board, and the Directors and Assistant Directors of the various Divisions of the Staff, and (2) the proposed appointment of examiners, assistant examiners, and other examiners of the Federal Reserve Banks. In taking this action it was understood that all approvals by Governor Balderston under this authority would be entered in the minutes as of the date of his approval.

4/20/56

-14-

Governor Balderston stated that from time to time he was called upon to approve luncheon checks for official luncheon guests of members of the staff and suggested that authority for such approval be delegated to the Controller or Assistant Controller with the understanding that any questionable cases would be taken up with him. There was a brief discussion of this suggestion but no action was taken to change the existing procedure.

The meeting then adjourned.

  
Secretary

- Gov. Balderston
- Gov. Bryan
- Gov. Yarnall
- Gov. Hall
- Gov. Nelson
- Gov. Harrison
- Gov. Scarborough