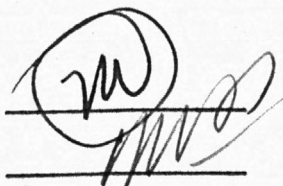


The attached minutes of the Board for May 3, 1957, which you have previously initialed, have been amended at page 7 to change the last sentence of the first paragraph in order to correct certain technical inaccuracies.

Chairman Martin

A handwritten signature consisting of a circled 'M' followed by a stylized flourish, positioned over a horizontal line.

Governor Szymczak

A handwritten signature consisting of a stylized 'M' followed by a flourish, positioned over a horizontal line.

Minutes for May 3, 1957

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>M</u>	
Gov. Szymczak		X <u>MS</u>
Gov. Vardaman	X <u>(O)</u>	
Gov. Mills	X <u>(S)</u>	
Gov. Robertson	X <u>R</u>	
Gov. Balderston	X <u>CCB</u>	
Gov. Shepardson	X <u>less</u>	

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, May 3, 1957. The Board met in the Board Room at 10:00 a.m.

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

Mr. Carpenter, Secretary  
 Mr. Sherman, Assistant Secretary  
 Mr. Kenyon, Assistant Secretary  
 Mr. Thurston, Assistant to the Board  
 Mr. Riefler, Assistant to the Chairman  
 Mr. Thomas, Economic Adviser to the Board  
 Mr. Young, Director, Division of Research and Statistics  
 Mr. Hackley, General Counsel  
 Mr. Molony, Special Assistant to the Board  
 Mr. Horbett, Associate Director, Division of Bank Operations  
 Mr. Solomon, Assistant General Counsel  
 Mr. Shay, Assistant General Counsel  
 Mr. Conkling, Assistant Director, Division of Bank Operations  
 Mr. Eckert, Chief, Banking Section, Division of Research and Statistics

Items circulated to the Board. The following items, which had been circulated to the members of the Board and copies of which are attached to these minutes under the respective item numbers indicated, were approved unanimously:

	<u>Item No.</u>
Letter to the Federal Reserve Bank of St. Louis approving revised employees' salary structures for the head office and branches.	1
Letter to American Trust Company, Charlotte, North Carolina, approving the establishment of a branch at the corner of Commonwealth Avenue and The Plaza. (For transmittal through the Federal Reserve Bank of Richmond.)	2

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Letter to Wachovia Bank and Trust Company, Winston-Salem, North Carolina, approving the establishment of a branch in the 1800 block of South Main Street, High Point, North Carolina. (For transmittal through the Federal Reserve Bank of Richmond.) 3

Letter to the Federal Reserve Bank of Chicago approving an additional investment in bank premises by Tobacco Exchange Bank, Edgerton, Wisconsin. 4

Letter to the Federal Reserve Bank of Dallas expressing the view that, under present circumstances, section 32 of the Banking Act of 1933 would not prevent Mr. Henry Dahlberg from serving as a director of Southern Arizona Bank and Trust Company, Tucson, Arizona. 5

Letters to the Chairmen of all Federal Reserve Banks, and to the Chairman of the Presidents' Conference, concerning the Board's decision to ask the Presidents' Conference to suggest a statement of policy in connection with Reserve Bank expenditures for membership dues. (With copies of both letters to the Presidents of all Federal Reserve Banks.) 6, 7

Letter to the Chairman of the Congressional Joint Economic Committee furnishing a breakdown of the estimated cost of the study of consumer instalment credit undertaken at the request of the President. 8

Discount rates. There were presented telegrams proposed to be sent to the following Reserve Banks approving the establishment without change on the dates indicated of the rates of discount and purchase in their existing schedules:

Atlanta	April 29
New York	May 2
Philadelphia	May 2
Chicago	May 2
Minneapolis	May 2

The telegrams were approved unanimously.

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Proposed supplement to the mid-year call report of condition of State member banks (Items 9, 10 and 11). At the meeting on May 1, 1957, the Board gave consideration to a memorandum from the Division of Bank Operations submitting, with a recommendation for approval, a proposed supplement to the mid-year call report of condition of State member banks in order to obtain additional information on (1) time deposits of individuals, partnerships, and corporations and (2) loans subject to reserve for bad debt losses.

During the discussion at that meeting, question was raised whether it would be desirable to expand the supplement to obtain information on rates of interest paid by reporting banks on savings and other time deposits. Accordingly, there had been distributed to the members of the Board prior to this meeting a memorandum from Mr. Conkling, dated May 2, 1957, which summarized staff discussion concerning the feasibility of obtaining such information and set forth reasons why it had been decided not to propose the inclusion of a request for such material in the recommended supplement. The memorandum also noted that, because of printing schedules and inter-agency negotiations, any comprehensive revision of the schedule at this time would delay collection of the data until the end-of-year call. While the memorandum went on to suggest certain basic data on interest rates which the Board might wish to obtain at the forthcoming call, the view was expressed that the collection of rate information on a limited scale would add little to the statistical information already available, including that compiled by the Federal Reserve Banks in response to the Board's request early this year.

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Governor Balderston, who had raised the question of obtaining additional interest rate data at the May 1 meeting, said that he would not favor any elaborate request for information. However, he felt that there might be some virtue in obtaining up-to-date information on certain items, such as the prevailing and year-ago rates, even though somewhat similiar information had been obtained early this year and perhaps nothing significant would be added. In substance, since the action taken effective January 1, 1957, to increase the maximum permissible rates of interest on savings and certain other time deposits had been the subject of considerable discussion, it occurred to him that it might be worth while to collect such data as could reasonably be accumulated without placing an undue burden upon the reporting banks.

Governor Robertson agreed with the point of view expressed by Governor Balderston, but suggested that instead of collecting the data in connection with the mid-year call, it be obtained through the medium of another request to the Federal Reserve Banks to collect information within their respective districts in much the same way that the Reserve Banks had obtained similiar information earlier this year.

Two questions were raised in this connection, the first of which related to the matter of timing. Some opinion was expressed to the effect that any such request should be sent to the Federal Reserve Banks in terms that the information would be available to the Board by about the

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middle or end of July, while others suggested that the information collected would be more significant if the request were delayed somewhat. It was also suggested that an early request might raise questions on the part of member banks as to why the information was being secured by the Board.

The second principal question related to the scope of the survey which the Reserve Banks would be requested to make, it being pointed out that although the aggregate of time deposits at smaller banks may not be significant in relation to the national total, time deposits are often substantial at such banks in relation to their total deposits and the rates of interest being paid might bear a significant relationship to the earnings of those banks.

In the course of the discussion Mr. Eckert suggested the possibility of an amendment to Regulation Q under which member banks would be required to submit a schedule of rates paid on time and savings deposits and to report subsequently any changes in that schedule. Certain reasons were given for and against such a possible amendment, and the statement was made that some information relating to rates of interest paid on time and savings deposits was now available through reports of examination of member banks. It appeared, however, that such information is rather difficult to use for analytical purposes. With regard to earnings of member banks in various classifications, reference was made to the data now compiled by the Division of Bank Operations periodically, and question was raised whether the requirements of the Board could not be met through interpretation of these data.

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At the conclusion of the discussion Chairman Martin suggested that Governor Mills be requested to review the whole matter at greater length with the staff and make a recommendation to the Board.

There being unanimous agreement with this suggestion, approval was given to letters to the Bureau of the Budget, the Comptroller of the Currency, and the Federal Deposit Insurance Corporation, respectively, looking toward the use, in connection with the mid-year call, of the supplement to the report of condition originally recommended by the Division of Bank Operations. Copies of the letters are attached to these minutes as Items 9, 10, and 11, respectively.

Mr. Eckert then withdrew from the meeting.

Record of policy actions of the Federal Open Market Committee.

As required by the final paragraph of section 10 of the Federal Reserve Act, a draft of record of policy actions taken by the Federal Open Market Committee in 1956 had been prepared for inclusion in the Board's Annual Report. Copies of the draft had been distributed to all of the members of the Committee and to the other Federal Reserve Bank Presidents, and the resulting suggestions for changes were set forth in a memorandum of which copies were sent to the members of the Board. As Secretary to the Open Market Committee, Mr. Riefler called attention to certain questions regarding the suggested changes in a memorandum dated April 22, 1957, copies of which likewise had been distributed to the members of the Board.



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In response to a request for comment, Mr. Riefler stated that the principal remaining question of significance concerning the policy record was one raised by President Hayes of the Federal Reserve Bank of New York. As discussed in Mr. Riefler's memorandum of April 22, this question concerned the necessity of including in the policy record covering the Committee meeting on March 6, 1956, a full statement of the reasons why Mr. Allan Sproul, at that time Vice Chairman of the Open Market Committee, continued to be opposed in principle and in practice to operating rules which would confine ordinary operations in the System open market account to short-term Government securities and which would forbid (a) transactions in certain securities at times of Treasury financing and (b) offsetting sales and purchases of securities. Mr. Hayes had pointed out that this matter was fully discussed in the policy record for earlier years, most recently at the meeting on March 2, 1955.

After Mr. Riefler had read a draft of summary statement which would take into account the suggestion of Mr. Hayes, it was agreed that a brief statement of this kind would be adequate, with the understanding that it would refer to Mr. Sproul's action in voting against these operating rules a year earlier.

Mr. Riefler then reported certain additional editorial changes in the 1956 policy record which had been suggested by Mr. Molony and one suggestion intended to make a technical clarification.

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After some discussion, these suggested changes were accepted, subject to further editing of one of them in the light of comments made at this meeting.

Thereupon, the record of policy actions of the Open Market Committee was approved unanimously for inclusion in the Board's Annual Report.

Record of policy actions of the Board of Governors. A draft of record covering policy actions taken by the Board in 1956 had been distributed to the members of the Board with a memorandum from Mr. Carpenter dated April 8, 1957. Certain changes suggested by Governors Balderston, Mills, and Robertson had been reported to the Board by Mr. Carpenter in memoranda dated April 17, April 24, and May 2, 1957.

In commenting on the matter, Mr. Carpenter said that Governor Mills had raised a question whether reference should be made to the Board's decision on April 10, 1956, not to adopt an amendment to Regulation Q which would have permitted member banks to compound interest on time and savings deposits at the maximum rates on a monthly basis rather than on the quarterly basis now prescribed. An entry on this matter had not been included in the draft of record, Mr. Carpenter said, for reasons which had led the Board in the past not to include in the record various matters on which a decision was reached to continue the existing status.

Governor Mills commented that he agreed with this policy where matters were considered within the System and the Board determined not

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to change the existing situation. However, in this case the Board's consideration of the matter had come to the attention of the public through publication of the proposed amendment to Regulation Q in the Federal Register. Also, the Federal Deposit Insurance Corporation had made reference to its similar decision on the same matter in a report of the operations of that agency for 1956, and question might be raised why some mention of the Board's decision was not made in the Board's Annual Report.

The suggestion then was made that a reference to the matter be included in the text of the Annual Report and, Governor Mills having indicated that such a reference would be satisfactory to him, it was understood that this would be done.

The same decision was reached with respect to a question raised by Governor Balderston concerning the inclusion of some reference in the Annual Report to the fact that the Board decided in June 1956 to increase from 5 to 6 per cent the maximum permissible rate of interest on loans made pursuant to Regulation V, but did not make the change effective because the guaranteeing agencies under the V-loan program reversed their favorable recommendations.

With respect to the recording of votes in connection with the record of policy actions, it was noted that in considering the policy record for 1953 the Board approved a procedure under which a member of the Board who is not present at the meeting when a particular action is taken may have included in the policy record the position which he would have taken if he had been present.

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Chairman Martin suggested that this procedure be reconsidered on the basis that criticism might be attached to a method which afforded the possibility of entering a statement at a later date by a person who was not present at the time when a policy question was acted upon.

Following a discussion of the matter, during which it was noted that all positions shown in the policy record for 1956 were based upon statements recorded prior to the respective actions, it was the unanimous decision of the Board to show in the policy record, along with the votes actually cast at the meeting when the action is taken, a statement of the respective positions of absent members of the Board only when those positions have previously been recorded in the minutes in connection with an earlier reference to the matter voted on by the Board.

In this connection, Governor Robertson suggested that the practice be instituted of submitting a draft of the record of policy actions to the Board on a current basis.

Mr. Carpenter indicated that there had been some discussion at the staff level concerning a possible revision of the style of the Board's Annual Report, including the policy records of the Board and the Federal Open Market Committee, and that further consideration of this matter might result in a recommendation to the Board regarding the form of the Annual Reports in the future.

Thereupon, the record of policy actions taken by the Board was approved unanimously, for inclusion in the Board's Annual Report for

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1956, in a form giving effect to the changes suggested by Governors Balderston, Mills, and Robertson following distribution of the original draft and with the understanding that the record of votes would indicate that the concurrences of absent members, as recorded, were based in each instance on statements of the respective members of the Board prior to the meeting when action was taken.

Text of Board's Annual Report. The text of the Board's Annual Report for 1956, of which a draft had been distributed to the members of the Board, was approved unanimously, subject to any necessary technical and editorial corrections, and it was understood that the report would be distributed in the usual manner.

Messrs. Thomas, Molony, Horbett, Shay and Conkling then withdrew from the meeting and Messrs. Noyes, Adviser, Division of Research and Statistics, Wood, Economist in that Division, and Boothe, Administrator, Office of Defense Loans, entered the room.

Report on S. 1898 (Item No. 12). The Senate Committee on Banking and Currency had requested the views of the Board on bill S. 1898, which would amend Section 203 of the National Housing Act to increase the maximum loan amounts and loan-to-value ratios of mortgages insured by the Federal Housing Administration. A memorandum from Mr. Young dated April 30, 1957, which had been distributed to the members of the Board, commented on the provisions of the bill and submitted a proposed reply concerning it.

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Following a brief discussion, the letter reporting on the bill was approved unanimously in the form submitted. A copy is attached to these minutes as Item No. 12.

Rates and fees on V-loans. After stating that he had had some discussion with Mr. Saulnier, Chairman of the Council of Economic Advisers, concerning the possibility of an upward adjustment in the maximum permissible rate of interest (currently 5 per cent) on loans made pursuant to Regulation V, Loan Guarantees for Defense Production, Chairman Martin called upon Mr. Noyes for a further report on developments in this regard.

Mr. Noyes said that he had been in receipt of telephone calls from a member of the staff of the Council, that he had furnished requested information on the V-loan program, and that the representative of the Council had now inquired what action in regard to V-loan rates and fees the Board would regard as reasonable in the current circumstances if proposed by the guaranteeing agencies. It appeared, Mr. Noyes said, that Mr. Saulnier was interested in raising the question with the guaranteeing agencies and would like to have some indication of the Board's views. Mr. Noyes went on to say that he then checked with Mr. Boothe, who had now ascertained from sources within the Department of Defense that some thought was being given to a proposal to increase the maximum permissible rate of interest to 5-3/4 per cent and effect a reduction of about 10 per cent in the present guarantee fee

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schedule. It was his personal feeling, he said, that any adjustment of the maximum rate and the schedule of fees should perhaps be in terms of rounded percentages rather than fractions.

Mr. Boothe then made a further explanation of the effect of the proposal and said that, according to his information, it had not yet been cleared with the Secretary of Defense. As to the extent of the proposed adjustments, he said that his views were similar to those of Mr. Noyes.

In a discussion of the matter, reference was made to the situation in mid-1956 when the Board, after having received favorable recommendations from the guaranteeing agencies, agreed to increase the maximum permissible rate of interest from 5 to 6 per cent but did not make the increase effective when the guaranteeing agencies reversed their recommendations following intercession in the matter by the official serving at that time as Chairman of the Council of Economic Advisers.

Governor Vardaman stated that it would be his preference to advise the Council of Economic Advisers informally that the Board continued to favor an increase to 6 per cent in the maximum rate, with no change in the schedule of guarantee fees. This would be with the understanding, however, that if the guaranteeing agencies made the proposal mentioned by Mr. Noyes, the Board would go along with it.

Governor Vardaman also made a statement concerning the Board's responsibilities under the law for the fixing of rates and fees in

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connection with V-loans. He went on to outline how the consultation with the guaranteeing agencies, as required by law, had been carried out in the past.

Following additional discussion of the current status of the problem, Chairman Martin suggested that in order to move forward the Council be advised informally that if the guaranteeing agencies were to come forward with a recommendation along the lines of the proposal which had been described, such a proposal would be agreeable to the Board.

There was unanimous agreement with this suggestion.

Plan for postattack financial and economic rehabilitation.

Governor Robertson referred to the paper prepared recently by a task force of Board and Federal Reserve Bank personnel having to do with a proposed plan for postattack financial and economic rehabilitation. He said that, pursuant to the Board's discussion of the paper, it had been submitted to the Office of Defense Mobilization with the suggestion that the plan be studied by a seminar group representing various interested Government agencies. Under a plan now proposed by that Office, the Director of Defense Mobilization would request the President to consider the formation of such a seminar group with the Cabinet and request the designation of participants. The group would meet for about one week, the members would then study the plan at their own agencies for perhaps two weeks, and the group would meet again for another week. In this connection, the Office of Defense Mobilization



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had requested facilities for the seminar at the Federal Reserve Building, and it appeared that Room 1202 could be made available. It also appeared that Mr. Roland Robinson of the Board's staff could be made available to act as chairman of the seminar.

Pursuant to Governor Robertson's recommendation, it was agreed unanimously that facilities at the Federal Reserve Building should be provided and that Mr. Robinson should be permitted to act as chairman of the seminar.

The meeting then adjourned.

Secretary's Note: Governor Shepardson approved on behalf of the Board today a letter with respect to the operation of the barber shop in the Federal Reserve Building and a letter to the Chairman of the Personnel Security Advisory Committee concerning the personnel security program. Copies of the letters are attached to these minutes as Items 13 and 14.

Pursuant to recommendations contained in memoranda from appropriate individuals concerned, Governor Shepardson today approved on behalf of the Board the following actions regarding the Board's staff:

#### Appointment

Lois M. Moyer as Secretary in the Division of Administrative Services on a temporary (three-month) basis, with basic salary at the rate of \$3,670 per annum, effective the date she assumes her duties.

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Salary increases, effective May 5, 1957

<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>			
Sudelle Rice, Senior Records Clerk <u>1/</u>		\$3,755	\$3,940
Alberta L. Thorley, Senior Records Clerk <u>1/</u>		3,840	3,940
<u>Research and Statistics</u>			
Rose C. Cassedy, Statistical Assistant		4,345	4,480
Frank de Leeuw, Economist		5,710	6,390
<u>Bank Operations</u>			
Robert L. Hill, Analyst		5,575	5,710
L. Marie Phipps, Clerk-Typist		3,175	3,260
<u>Examinations</u>			
A. S. MacKenzie, Assistant Federal Reserve Examiner		6,390	6,605
<u>Administrative Services</u>			
Robert I. Stewart, Messenger		2,860	2,945
Howard W. Stull, Chauffeur		3,635	3,720

Acceptance of resignation

Lyla E. Szillat, Operator (Key Punch), Division of Administrative Services, effective June 15, 1957.

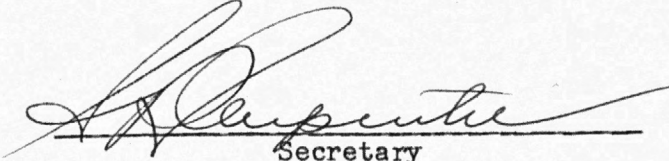
Governor Shepardson also approved on behalf of the Board today the recommendations contained in a memorandum from the Division of Personnel Administration dated April 30, 1957, concerning the transfer of certain Board employees in the mechanical force (including gardeners) to a "prevailing

1/ Title changed from Records Clerk.

5/3/57

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rate" pay schedule. Copies of the memorandum and its attachments I and II are attached to these minutes under Item No. 15.



Secretary

Item No. 1  
5/3/57

May 3, 1957

CONFIDENTIAL (FR)

Mr. Delos C. Johns,  
President,  
Federal Reserve Bank of St. Louis,  
St. Louis 2, Missouri.

Dear Mr. Johns:

In accordance with your letter of April 11, 1957, the Board of Governors approves the following minimum and maximum salaries for the respective grades at the Head Office and Louisville, Memphis, and Little Rock Branches, effective July 1, 1957:

Head Office and Louisville Branch

<u>Grade</u>	<u>Minimum Salary</u>	<u>Maximum Salary</u>
1	\$ 2,100	\$ 2,820
2	2,400	3,240
3	2,520	3,420
4	2,700	3,660
5	2,940	4,000
6	3,180	4,300
7	3,480	4,700
8	3,800	5,100
9	4,200	5,700
10	4,700	6,300
11	5,200	7,000
12	5,800	7,800
13	6,400	8,700
14	7,300	9,900
15	8,200	11,100
16	9,200	12,400

Mr. Delos C. Johns

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<u>Memphis Branch</u>			<u>Little Rock Branch</u>		
<u>Grade</u>	<u>Minimum Salary</u>	<u>Maximum Salary</u>	<u>Grade</u>	<u>Minimum Salary</u>	<u>Maximum Salary</u>
1	\$ 2,100	\$ 2,820	1	\$ 2,100	\$ 2,820
2	2,220	2,940	2	2,160	2,880
3	2,280	3,120	3	2,220	2,940
4	2,520	3,420	4	2,340	3,180
5	2,820	3,800	5	2,580	3,480
6	3,120	4,200	6	2,820	3,800
7	3,480	4,700	7	3,120	4,200
8	3,800	5,100	8	3,540	4,800
9	4,200	5,700	9	4,000	5,400
10	4,700	6,300	10	4,400	6,000
11	5,200	7,000	11	5,000	6,800
12	5,800	7,800	12	5,600	7,600
13	6,400	8,700	13	6,300	8,500
14	7,300	9,900	14	7,200	9,700
15	8,200	11,100	15	8,200	11,100
16	9,200	12,400	16	9,200	12,400

It is understood that these adjustments in structure were not provided for in the Reserve Bank's 1957 budget.

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 understood 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 October 1, 1957.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Assistant Secretary.

Item No. 2  
5/3/57

May 3, 1957

Board of Directors,  
American Trust Company,  
Charlotte, North Carolina.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Richmond, the Board of Governors of the Federal Reserve System approves the establishment of a branch at the corner of Commonwealth Avenue and The Plaza, Charlotte, North Carolina, provided the branch is established within nine months from the date of this letter and the approval of the State authorities is in effect as of the date of the establishment of the branch.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Assistant Secretary.

Item No. 3  
5/3/57

May 3, 1957

Board of Directors,  
Wachovia Bank and Trust Company,  
Winston-Salem, North Carolina.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Richmond, the Board of Governors of the Federal Reserve System approves the establishment of a branch in the 1800 block of South Main Street, High Point, North Carolina, by Wachovia Bank and Trust Company, Winston-Salem, North Carolina, provided the branch is established within six months from the date of this letter and the approval of the State authorities is in effect as of the date of the establishment of the branch.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Assistant Secretary.

Item No. 4  
5/3/57

May 3, 1957

Mr. W. R. Diercks, Vice President,  
Federal Reserve Bank of Chicago,  
Chicago 90, Illinois.

Dear Mr. Diercks:

Reference is made to your letter of April 22, 1957, submitting the request of the Tobacco Exchange Bank, Edgerton, Wisconsin, for approval, under the provisions of Section 24A of the Federal Reserve Act, of an additional investment of \$150,000 for the construction of a new bank building which will be accomplished through the Tobacco Exchange Bank Holding Company, a corporation to be organized as a wholly-owned affiliate of the bank.

After considering available information and your favorable recommendation, the Board of Governors approves the additional investment of \$150,000 in bank premises as proposed.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Assistant Secretary.



Item No. 5  
5/3/57

May 3, 1957

Mr. L. G. Pondrom, Vice President,  
Federal Reserve Bank of Dallas,  
Dallas 13, Texas.

Dear Mr. Pondrom:

Mr. L. W. Douglas' letter of April 20, 1957 to you, a copy of which you forwarded to the Board with your letter of April 22, contains additional information in connection with the question whether Mr. Henry Dahlberg may serve as a director of the Southern Arizona Bank and Trust Company, Tucson, Arizona, in view of the provisions of section 32 of the Banking Act of 1933.

It appears from his letter that the gross income of J. A. Hogle & Co. from the sale of mutual funds for 1956 was \$113,182. This amount, when added to the gross income of \$280,777 from underwriting and distributing, gives \$393,959 as the total gross income for the year 1956 from business of the kinds described in section 32. This figure is 10.6 per cent of \$3,711,272, the total gross income of J. A. Hogle & Co. from all sources for that year. It appears also that the firm's dollar volume of section 32 business was \$9,029,372 (\$7,224,876 of underwriting and distributing, plus \$1,804,496 sales of mutual funds), which was 4-3/4 per cent of the total dollar volume of the business of the firm for that year.

These figures for 1956, if considered alone, would present a very close question, in the light of previous rulings of the Board in other cases involving section 32. However, Mr. Douglas' letter of March 16, 1957, states that the income of J. A. Hogle & Co. from "underwriting and distributing" for 1956 was much larger than usual because of two unusual items totaling \$2,222,560 (apparently there was no unusual fluctuation in other types of section 32 business). The total volume of "underwriting and distributing" in that year was \$7,224,876 as compared with an

Mr. L. G. Pondrom

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average of about \$2,000,000 for the preceding five years. The gross income from this source for 1956, as stated above, was \$280,777, and this figure may be compared with an average of approximately \$99,400 for the preceding four years.

Assuming that 1956 was an unusual year and that the unusual items referred to by Mr. Douglas represent an additional volume of business not likely to recur, it appears from the information that has been submitted that business of the kind described in section 32 need not at this time be regarded as one of the primary activities of J. A. Hogle & Co., and that, therefore, section 32 would not now prevent Mr. Dahlberg from serving as a director of the member bank.

In cases of this nature, however, it is the Board's practice to ask the Federal Reserve Bank concerned to make further reviews from time to time in order to ascertain any material changes that might suggest the need for reconsidering the question of the applicability of the prohibition in the statute. Needless to say, if the section 32 business of J. A. Hogle & Co. in 1956 should be equaled or surpassed in 1957, a conclusion different from that mentioned above, might be required. Therefore, it is requested that your Bank review the case periodically with this in mind.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Assistant Secretary.

Item No. 6  
5/3/57

Z-4443

May 3, 1957

Dear Sir:

You will recall that my letter of December 21, 1956, suggested certain guides in connection with Reserve Bank expenditures for membership dues, and invited comments with regard to this matter.

Replies were received from the twelve Federal Reserve Banks, and they indicated that varying interpretations were being placed upon the guides suggested by the Board. In addition, questions were raised concerning the feasibility or desirability of certain of the suggested guides.

The basic objective of the Board's action was to establish a System policy in connection with expenditures of this type that would, on the one hand, take into account the public character of the Federal Reserve Banks and be defensible from this point of view, and, on the other hand, leave to the directors and officers the latitude that is essential in the management of the individual Banks. The concern in this regard is not with the amounts of these expenditures because they are relatively very small, but rather with the likelihood that in many cases such expenditures may be of a type which could readily subject the Banks to attack by anyone who may wish to criticize or discredit the Reserve Banks or the Board.

There was nothing contrary to the Board's basic objective in the comments received from the Banks. The differences of opinion were mainly in the area of individual organizations and with regard to the distinction between "personal type" memberships and those "arising out of employment at the Bank."

Because of the nature of the questions raised and the apparent desirability of a uniform System policy at least in some cases, the Board has decided to furnish copies of all of the comments to each President and to ask the Presidents' Conference to consider the matter and to suggest a statement of policy which could be adopted by the Boards of Directors of the respective Banks and approved by the Board

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of Governors. Accordingly, action on the various specific questions raised in the replies to my letter of December 21 will be deferred until the views of the Presidents' Conference have been submitted.

The Board feels, and we hope you will agree, that we have gone a long way toward obtaining our objective in this matter, and I want to take this opportunity to thank you and the directors and officers of your Bank for the interest that has been taken.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.  
Chairman.

TO THE CHAIRMEN OF ALL FEDERAL RESERVE BANKS  
WITH A COPY TO EACH PRESIDENT.

Item No. 7  
5/3/57

May 3, 1957

Mr. H. G. Leedy, Chairman,  
Conference of Presidents,  
Federal Reserve Bank of Kansas City,  
Kansas City 6, Missouri.

Dear Mr. Leedy:

As you will recall, the Board sent to the Presidents of all of the Federal Reserve Banks a copy of the letter addressed to the Chairmen of the Banks under date of December 21, 1956, with regard to expenditures for membership dues. Replies to that letter were received from all of the Reserve Banks and a copy of a second letter which is going forward to the Chairmen of the Banks today is enclosed. The letter states that the Board has decided to furnish copies of the comments received from all of the Federal Reserve Banks to each President and to ask the Presidents' Conference to suggest a statement of policy which could be adopted by the Boards of Directors of the respective Banks and approved by the Board of Governors. If you will give the matter that direction the Board will appreciate it very much.

Copies of the comments received from the Reserve Banks in response to the Board's letter of December 21, 1956 are attached, together with a copy of a memorandum prepared by the Board's staff summarizing the replies received from the Federal Reserve Banks. Copies of this material, as well as of this letter and the letter to the Chairmen, are being sent to the other Presidents.

Sincerely yours,

(Signed) S. R. Carpenter

S. R. Carpenter,  
Secretary.

Enclosures

Item No. 8  
5/3/57

May 3, 1957

The Honorable Wright Patman, Chairman,  
Joint Economic Committee,  
Senate Office Building,  
Washington 25, D. C.

Dear Mr. Patman:

As requested in your letter of April 17, 1957, there is attached a detailed breakdown of the estimated cost of the study on consumer instalment credit, undertaken at the request of the President transmitted through the Chairman of the Council of Economic Advisers. The total of \$379,377.47 includes expenses to date as well as estimates of costs for which the Board has not as yet been billed; however, no attempt has been made to allocate salaries of permanent members of the staff of the Board of Governors.

Certain itemized costs, as mentioned in your letter, are as follows:

(a) The cost of that portion of the survey conducted by National Analysts, Inc., is \$232,500. This includes \$3,000 for consulting services, with the major part of the contract not being itemized as to cost, but provides for a national survey of new-car purchasers in 1954 and 1955, tabulation for this survey, interviewing about 4,600 purchasers, and providing coded data on IBM cards for these interviews.

(b) Costs involved in securing the opinions of those in the consumer credit industry reported in Part III were: consultant fees for Mr. George D. Bailey, \$2,212.50; and traveling expenses for Mr. Bailey and an employee of the Board's staff assigned to assist him, \$2,184.42. There were also relatively minor expenditures for postage.

(c) The estimated cost of the conference on regulation reported in Part II is \$43,872.49,

The Honorable Wright Patman

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including the following itemization furnished by the National Bureau of Economic Research: Salaries and Honoraria, \$25,408.64; Conferences and Travel, \$6,419.46; Typing and Mimeographing, \$5,244.28; Supervision and other indirect costs, \$4,200; all other, \$2,600.11.

Also, in connection with the study, the Board paid \$31,062.73 to the Bureau of the Census of the United States Department of Commerce for collecting, processing, and tabulating information relating to cash and credit purchasers of new and used cars and houses as a supplement to the Bureau's Current Population Survey in August 1956 (reported in Supplement IV of Part I, Volume 2, of the Study).

We shall be glad to provide any additional information for the use of your Committee, if you so desire.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.

Attachment

Item No. 9  
5/3/57

May 3, 1957

Mr. Paul F. Krueger, Clearance Officer,  
Office of Statistical Standards,  
Bureau of the Budget,  
Washington 25, D. C.

Dear Mr. Krueger:

We are enclosing two copies of your Form 83 and of a draft of Schedule FA - Supplementary Data on Time Deposits of Individuals, Partnerships, and Corporations and on Loans Subject to Reserve for Bad Debts, that we expect to have the State member banks submit as a supplement to their reports of condition at the forthcoming mid-year call date. We understand that the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation expect to call for similar data.

The upper half of the proposed schedule is similar to a distribution of certain time deposits called for in the report of condition on June 30, 1945, when the Bureau of the Budget number was 55-ROO4.2. Previous to June 30, 1942, these data had been collected annually or oftener as part of the call report. The purpose of the breakdown is to furnish a new bench mark for making current estimates of savings deposits. Present estimates based on 1942 and 1945 data are not considered adequate in view of the increasing interest in savings deposits in general and savings deposits at commercial banks in particular. It is not contemplated that the proposed schedule will be collected from banks regularly hereafter but it may be found desirable to collect such data at intervals in the future.

The additional detail on time deposits not previously called for consists of an estimated breakdown of the portion of time certificates of deposit and time deposits, open account, of foreign and domestic holders, with a further breakdown of domestic holders by corporate and noncorporate business and individuals. The purpose of this breakdown is to furnish information on the portions of such deposits owned by the principal segments of the economy. Adequate information is not now available in this field.

The lower half of the supplement will be used to obtain data for estimating the potential cost to the Treasury in taxes



Mr. Paul F. Krueger

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of suggested changes in the formula for computing allowable reserves  
for bad debts.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,  
Secretary

Enclosures

Item No. 10  
5/3/57

May 3, 1957

The Honorable Ray M. Gidney,  
Comptroller of the Currency,  
Washington 25, D. C.

Dear Mr. Gidney:

The Board has approved the attached draft of Schedule FA, a supplement to the report of condition of State member banks for use in obtaining additional information on time deposits of individuals, partnerships, and corporations, and on reserve for bad debts, at the forthcoming mid-year call. The Board's approval is subject to Budget Bureau clearance of the supplement, and with the understanding that corresponding data will be obtained from national banks and insured nonmember banks.

The breakdown of time deposits of individuals, partnerships, and corporations by type of deposit in Section A of the schedule was last obtained in call reports of condition in June 30, 1945. Previous to June 30, 1942, these data had been collected annually or oftener as part of the call report. The purpose of the breakdown is to furnish a new bench mark for making current estimates of savings deposits. Present estimates based on 1942 and 1945 data are not considered adequate in view of the increasing interest in savings statistics in general and in savings deposits at commercial banks in particular.

The purpose of the proposed breakdown of time certificates of deposit and time deposits, open account, as between foreign and domestic holders, with a further breakdown of domestic holders by corporate and noncorporate business and individuals, is to furnish information on the portions of such deposits owned by the principal segments of the economy. Such information will be useful to the studies of savings holders now being conducted by the Board.

Collection of data on loans subject to reserve for bad debt losses in Section B was proposed by your office to provide the Treasury with current information for estimating the potential effect on tax revenues of suggested changes in the formula for computing allowable reserves for bad debt losses.

Members of your staff have been kept advised regarding the proposed schedule, and the present draft form and instructions take account of their suggestions.

The Honorable Ray M. Gidney

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It will be appreciated if you will advise us whether you will collect the data called for by the schedule at the next call. A similar letter is being sent to the Federal Deposit Insurance Corporation.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,  
Secretary.

Attachment

Item No. 11  
5/3/57

May 3, 1957

The Honorable H. Earl Cook, Chairman,  
Federal Deposit Insurance Corporation,  
National Press Building,  
Washington 25, D. C.

Dear Mr. Cook:

The Board has approved the attached draft of Schedule FA, a supplement to the report of condition of State member banks for use in obtaining additional information on time deposits of individuals, partnerships, and corporations, and on reserve for bad debts, at the forthcoming mid-year call. The Board's approval is subject to Budget Bureau clearance of the supplement, and with the understanding that corresponding data will be obtained from national banks and insured nonmember banks.

The breakdown of time deposits of individuals, partnerships, and corporations by type of deposit in Section A of the schedule was last obtained in call reports of condition in June 30, 1945. Previous to June 30, 1942, these data had been collected annually or oftener as part of the call report. The purpose of the breakdown is to furnish a new bench mark for making current estimates of savings deposits. Present estimates based on 1942 and 1945 data are not considered adequate in view of the increasing interest in savings statistics in general and in savings deposits at commercial banks in particular.

The purpose of the proposed breakdown of time certificates of deposit and time deposits, open account, as between foreign and domestic holders, with a further breakdown of domestic holders by corporate and noncorporate business and individuals, is to furnish information on the portions of such deposits owned by the principal segments of the economy. Such information will be useful to the studies of savings holders now being conducted by the Board.

Collection of data on loans subject to reserve for bad debt losses in Section B was proposed by the Comptroller's Office to provide the Treasury with current information for estimating the potential effect on tax revenues of suggested changes in the formula for computing allowable reserves for bad debt losses.

Members of your staff have been kept advised regarding the proposed schedule, and the present draft form and instructions take account of their suggestions.

The Honorable H. Earl Cook

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It will be appreciated if you will advise us whether you will use the schedule at the next call. A similar letter is being sent to the Office of the Comptroller of the Currency.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,  
Secretary.

Attachment

Item No. 12  
5/3/57

May 3, 1957

The Honorable J. W. Fulbright, Chairman,  
Senate Committee on Banking and Currency,  
United States Senate,  
Washington 25, D. C.

Dear Senator Fulbright:

This is in response to your request of April 23 for the Board's views on S. 1898, a bill which would substantially increase the maximum loan amounts and loan-to-value ratios of mortgages insured by the Federal Housing Administration.

The Board sees no objection to increasing maximum insurable loan amounts in order to adjust to current conditions in the housing market characterized by higher prices and larger loans generally. Liberalization of mortgage terms, however, seems inappropriate at this time and hardly a solution to current problems in the mortgage market.

Recent declines in residential building and financing have reflected, in the main, the reduced availability of funds from lenders for Federally underwritten mortgages, rather than reduced demands by consumers for houses and mortgage credit. Available evidence suggests that demands for home mortgage credit continue large and are in excess of actual mortgage transactions. Builders and borrowers have, in fact, been prevented by ceiling rates on FHA and VA mortgages from competing effectively for funds with other borrowers able and willing to pay higher interest rates for credit.

Further liberalization of FHA mortgage terms would undoubtedly increase demands for credit but would not directly attract additional funds to the mortgage market. Only by improving the competitive position of insured and guaranteed mortgages through greater flexibility in their interest rates might this result be achieved.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.

Item No. 13  
5/3/57

May 3, 1957

Mr. Willis M. Boling,  
1020 - 19th Street, N. W.,  
Washington 6, D. C.

Dear Mr. Boling:

In accordance with the terms of your contract dated January 6, 1940, for managing and operating the barber shop in the Board's building, you are hereby notified that the contract is terminated effective 60 days from this date unless the terms of the contract are complied with to the satisfaction of the Board's representative not later than 30 days from the date of this letter.

The above action is being taken because you have failed to have a barber on duty at all times during the regular hours of service and because you have failed to employ and have under your supervision a bootblack as required by the contract. Your failure to have a barber on duty at all times has been called to your attention repeatedly and, although the Board has not insisted upon the employment of a bootblack in recent years, it now feels that this is a service which should be provided.

The principal reason you cite for your failure to supply adequate service is the low rates charged in the shop. Therefore, in order to eliminate this factor and to assist you in meeting the terms of your contract, the Board will interpose no objection to an immediate increase in your rates, not to exceed 25 per cent.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,  
Secretary.

Item No. 14  
5/3/57

May 3, 1957

Mr. William F. Tompkins, Chairman,  
Personnel Security Advisory Committee,  
Department of Justice,  
Washington 25, D. C.

Dear Mr. Tompkins:

Thank you for your memorandum of April 9, 1957, advising of your chairmanship of the Personnel Security Advisory Committee, and your availability for consultation with respect to dispositions to be made in individual cases on questions of suspension and termination under the Act of August 26, 1950, and containing certain recommendations relating to the personnel security program.

With respect to your recommendation numbered 1, the designations of all sensitive positions at the Board of Governors have been reviewed and all such designations are a matter of record within our offices.

Referring to your recommendation numbered 2, no employee of the Board of Governors has been suspended in accordance with the provisions of the Act of August 26, 1950. In the event of such an action, we shall be glad to comply with your recommendation to furnish to the Personnel Security Advisory Committee promptly the date of such suspension, a copy of the charges furnished to such employee, and the date and final disposition of the case.

In accordance with your recommendation numbered 3, Mr. Edwin J. Johnson, Personnel Security Officer, has been designated the senior official with whom the Personnel Security Advisory Committee may directly deal in matters of mutual interest involving the personnel security program.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,  
Secretary.



Item No. 15  
5/3/57

To: Board of Governors

Date: April 30, 1957

From: Division of Personnel  
Administration

Subject: Transfer of Employees to  
a "Prevailing Rate" Pay  
Schedule

### RECOMMENDATION

It is recommended that the Board approve the transfer of its employees in the Mechanical Force (including Gardeners) to a "prevailing rate" pay schedule based on Army-Air Force Wage Board data now used by most Government agencies in the Washington, D. C., wage area.

It is further recommended that the following changes in grades and salaries resulting from the foregoing recommendation be effective the beginning of the first pay period following the date of approval by the Board:

<u>Employee</u>	<u>Title</u>	<u>Present</u>		<u>Proposed</u>		<u>Amount of Increase</u>
		<u>Group*</u>	<u>Salary</u>	<u>Grade*</u>	<u>Salary</u>	
Young, H.	Mech. Supt.	S	\$6250	24	\$6406 (Step 2)	\$156
Lindamood	Prin. O. Eng.	P(M)	5675	19	5720 (Step 3)	45
Myers	Elect. O. E.	O	4830	18	5013 (Step 1)	183
Blash	Carp. O. E.	O	4830	16	5013 (Step 2)	183
Osborne	Stmfr. O. E.	O	4830	15	4909 (Step 2)	79
Steger	Stmfr. O. E.	O	4695	15	4909 (Step 2)	214
Shipp	Genl. M. O. E.	N	4355	14	4555 (Step 1)	200
Hopkins	Painter	N	4355	13	4451 (Step 1)	96
Rabbitt	Painter	N	4025	12	4347 (Step 1)	322
Mayhew	Gardener	J	3880	6	3910 (Step 2)	30
Clanton	Gardener	H	3380	4	3432 (Step 2)	52

### DISCUSSION

Attachment III includes a detailed discussion of the background connected with applying a Prevailing Rate Wage System to the Board's employees, and also information about the Army-Air Force Wage Board and the Inter-Agency Wage Plan.

Inasmuch as employees in the following occupational groups: (1) Labor Force, (2) Cafeteria Staff, and (3) Maid, would receive no salary increases as a result of transfer to a "prevailing rate" pay schedule, it is recommended that these groups of employees remain under the Board's

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present pay schedule subject to further review if and when an increase in prevailing rates makes such review appropriate. In addition, it is recommended that the chauffeurs remain under the Board's present pay schedule at this time, as not all of this group would benefit by transfer to a "prevailing rate" pay schedule.

(Signed) E. J. Johnson

#### Attachments

- \* Salary ranges for present Groups are given in Attachment I and for proposed Grades in Attachment II.

Item No. 15  
5/3/57ATTACHMENT IPresent Salary Ranges and Maximum  
Longevity Step for Employees Affected

<u>Present Board Classification Group</u>	<u>Range</u>	<u>Maximum Longevity Step</u>
H	\$2955 - \$3465	\$3720
J	3200 - 3710	3965
N	3695 - 4355	4685
O	4020 - 4830	5235
P(M)	4460 - 5270	5675
S	5440 - 6250	6655

Item No. 15  
5/3/57ATTACHMENT II

## Metropolitan D. C. Prevailing Rate Wage Schedule\*

November 30, 1956

<u>Grade</u>	<u>Step 1</u>	<u>Step 2</u>	<u>Step 3</u>	<u>Grade</u>	<u>Step 1</u>	<u>Step 2</u>	<u>Step 3</u>
1	2184	2288	2413	15	4659	4909	5158
2	2538	2662	2787	16	4763	5013	5262
3	2912	3058	3203	17	4867	5117	5366
4	3266	3432	3598	18	5013	5283	5554
5	3619	3806	3994	19	5179	5450	5720
6	3723	3910	4098	20	5346	5637	5928
7	3827	4035	4243	21	5533	5824	6115
8	3931	4139	4347	22	5720	6011	6302
9	4035	4243	4451	23	5907	6219	6531
10	4160	4368	4597	24	6094	6406	6718
11	4243	4472	4701	25	6302	6635	6968
12	4347	4576	4805	26	6510	6843	7176
13	4451	4680	4909	27	6718	7072	7426
14	4555	4805	5054	28	6926	7301	7675

"In Hiring" normally occurs in Step 1. Progression to Step 2 occurs after 26 weeks of satisfactory service in Step 1. Progression to Step 3 occurs after an additional 78 weeks of satisfactory service in Step 2.

Grades 1 through 4 represent the All-Industry or "Custodial" Schedule as

used by GSA, VA, and HEW in the Inter-Agency Plan. Grades 18 through 28 have been adjusted to make them applicable for use with Supervisory positions as in the Inter-Agency Plan. Grades 5 through 17 are Army-Air Force rates as used in the Inter-Agency Plan.

\* For Trades, Crafts, and Labor-type positions - not applicable to Laundry or Food Service positions.