



Minutes of the Board of Governors of the Federal Reserve System  
on Monday, November 17, 1958. The Board met in the Board Room at  
10:00 a.m.

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

Mr. Sherman, Secretary  
Mr. Fauver, Assistant Secretary

Appointment of Chairmen, Deputy Chairmen, and directors at Reserve Banks and branches. Prior to the meeting there had been distributed three memoranda, prepared by Mr. Fauver under date of November 17, 1958, relating to the Board's consideration of the appointment of directors of Federal Reserve Banks and branches for terms beginning January 1, 1959, and to the designation of Chairmen and Federal Reserve Agents and the appointment of Deputy Chairmen for the coming year. One of these memoranda presented lists of Board-appointed directors at Head Offices and Branches whose terms were expiring at the end of 1958 and who were clearly eligible for re-appointment under the Board's rotation policy applicable to Class C directors (announced in April 1953, effective January 1, 1954) or under the rotation policy for branch directors set forth in the Regulations relating to Branches of Federal Reserve Banks. Another memorandum listed prospective vacancies at the end of 1958 under these rotation policies with, in some cases, names of persons who had been suggested as replacements. The third memorandum was concerned

11/17/58

-2-

with the interpretation of the rotation policies referred to, which aimed at limiting service to two full terms for a Class C director or to six full years for a Branch director, with an exception that under certain conditions would permit a Head Office director who was designated as Chairman to serve not to exceed three full terms as a director.

The latter memorandum raised the question whether the rotation rules should be applied literally, or whether they should be interpreted to preclude the reappointment of a Class C director who had served slightly less than two full three-year terms or of a Branch director who had served slightly less than six full years. It listed four branch directors whose service started between January 16 and March 13, 1953, and who would be eligible for reappointment for another term beginning January 1, 1959 under a literal interpretation of the rotation rule in the Branch Regulations. The memorandum also pointed out that the Board was under no compulsion to reappoint a director who had served for a period less than the maximum specified in either of the rules.

Governor Shepardson suggested that before proceeding with appointments, the Board resolve the question of interpretation of the present rules regarding rotation, since this was relevant to the consideration of the four branch directors who would have served almost six full years by the end of 1958. His own view was that a person who was appointed during the first 30 days of the year in which his term of service began and who assumed the office at that time should be considered to have

11/17/58

-3-

served for the full year as far as the principle of rotation was concerned, since that to all intents and purposes gave a man a "full term".

Governor Balderston commented that the moment the Board departed from the precise definition stated in the rules relating to rotation, it would get into the matter of discretion, and when the Board exercised that discretion it was likely to cause hurt feelings. So long as the Board adhered to the precise wording of the rule, its position was clear to all concerned, but when the element of discretion was introduced in an area where human feelings were involved, problems would arise.

Governor Shepardson said that he recognized this point. On the other hand, there were four branch directors whose terms started between January 16 and March 13 of 1953, and by the end of 1958 one of these individuals would have served as a director of the Salt Lake City Branch for 5 years, 11 months, and 15 days. This was less than six years, but in terms of the purpose of rotation it seemed to him that it was the full period of service contemplated.

Governor Mills said that the problem that really concerned him and which required statutory correction was the endless continuance in office of some A and B directors elected by the member banks. He did not worry too much about the C directors appointed by the Board so long as this situation existed, although he would be inclined to reasonable discretion on the part of the Board in determining whether to reappoint a man who had served substantially two full terms even



11/17/58

-4-

though he was not technically ineligible under the Board's present rule. Whether the Board might be embarrassed from time to time in "separating the sheep from the goats" was a question he would not try to answer now.

Governor Robertson said that he would apply the Board's present rotation rules not literally, but in terms of the spirit of rotation. The situation might differ where an individual was appointed soon after the beginning of a year to replace another person who had been appointed and had died or resigned shortly after the beginning of his term. However, to Governor Robertson the spirit of the rule was that six years of service was sufficient, and he would replace a director who had served for substantially this period of time.

Governor Szymczak said that he concurred in this general approach but that whichever way the Board went it could expect to have problems in applying the rotation rule. He agreed wholeheartedly with Governor Mills' comment regarding the need for statutory change in connection with the terms of A and B directors elected by the member banks.

Governor Balderston said that he gathered that the consensus was that in the case of the Branch directors who by the end of 1958 would have completed just short of six full years of service, the Board should proceed to replace them as directors. No disagreement with this statement was indicated. In response to a question from

11/17/58

-5-

the Secretary as to whether this would involve a change in the wording of the Board's rule on Class C directors or in the Branch Regulations, Governor Balderston stated that no change was being made in the rules but that in the cases before the Board the individuals concerned were not being reappointed. Governor Robertson added the comment that this was a decision within the spirit of the rotation rules.

The Board then moved to consideration of the directors whose terms would expire at the end of 1958 and who were clearly eligible for reappointment under the Board's current policy relating to length of service of directors. After discussion, the following persons were reappointed by unanimous vote as Class C directors of the respective Federal Reserve Banks indicated, each for a term of three years beginning January 1, 1959:

<u>Name</u>	<u>Bank</u>
Henderson Supplee, Jr.	Philadelphia
Arthur B. Van Buskirk	Cleveland
Walter M. Mitchell	Atlanta
Robert P. Briggs	Chicago
J. H. Longwell	St. Louis
John H. Warden	Minneapolis
Raymond W. Hall	Kansas City
Lamar Fleming, Jr.	Dallas
Y. Frank Freeman	San Francisco

In connection with the above action, Governor Robertson stated that for the reasons he had indicated at the meeting on September 19, 1958, he was going along reluctantly with the reappointment of Mr. Hall as a Class C director of the Kansas City Bank.

11/17/58

-6-

The following persons were reappointed by unanimous vote as directors of the respective Federal Reserve Bank branches indicated, each for a term of three years beginning January 1, 1959:

<u>Name</u>	<u>Branch</u>
Ivan Jett	Cincinnati
Wm. Purnell Hall	Baltimore
John E. Urquhart	Birmingham
V. S. Johnson, Jr.	Nashville
G. H. King, Jr.	New Orleans
C. V. Patterson	Detroit
Waldo E. Tiller	Little Rock
J. D. Monin, Jr.	Louisville
Frank Lee Wesson	Memphis
Tyrus R. Timm	Houston
Harold Vagtborg	San Antonio

The following persons were reappointed by unanimous vote as directors of the respective Federal Reserve Bank branches indicated, each for a term of two years beginning January 1, 1959:

<u>Name</u>	<u>Branch</u>
Carl MrFarland	Helena
Ray Reynolds	Denver
Lyman J. Bunting	Seattle

The following persons were designated as Chairmen and Federal Reserve Agents at the Federal Reserve Banks indicated for the year 1959, and the compensation of each as Chairman and Federal Reserve Agent was fixed on the uniform basis for the same position at all Federal Reserve Banks, i.e., the same amount as the aggregate of the fees payable during the same period to any other director for attendance corresponding to his at meetings of the board of directors, executive committee, and other committees of the board of directors:

11/17/58

-7-

<u>Name</u>	<u>Bank</u>
Robert C. Sprague	Boston
John E. Bierwirth	New York
Henderson Supplee, Jr.	Philadelphia
Arthur B. Van Buskirk	Cleveland
Alonzo G. Decker, Jr.	Richmond
Walter M. Mitchell	Atlanta
Bert R. Prall	Chicago
Pierre B. McBride	St. Louis
Leslie N. Perrin	Minneapolis
Raymond W. Hall	Kansas City
Robert J. Smith	Dallas
A. H. Brawner	San Francisco

The following persons were appointed as Deputy Chairmen of the Federal Reserve Banks indicated for the year 1959:

<u>Name</u>	<u>Bank</u>
Forrest F. Hill	New York
Lester V. Chandler	Philadelphia
Joseph H. Thompson	Cleveland
D. W. Colvard	Richmond
Harlee Branch, Jr.	Atlanta
J. Stuart Russell	Chicago
J. H. Longwell	St. Louis
O. B. Jesness	Minneapolis
Joe W. Seacrest	Kansas City
Hal Bogle	Dallas
Y. Frank Freeman	San Francisco

The foregoing actions were taken with the understanding that the appointments of Chairmen and Deputy Chairmen were made subject to a check with Chairman Martin and that the Board's action with regard to the appointment of branch and head office directors would also be reviewed with him. It was also understood that the proposed appointments and reappointments would be checked informally with the Chairman of the Federal Reserve Bank concerned, if that had not already been done, before the telegram advising of the Board's action was sent to the individual appointee.



11/17/58

-8-

It was further understood that Chairman Sprague of the Boston Bank would be asked for his views in connection with the appointment of a Deputy Chairman at that Bank to succeed Mr. Hood and that Mr. Brawner would be asked for his views concerning the reappointment of Mr. Leonard K. Firestone at the Los Angeles Branch in view of the latter's attendance record in the current year.

The Board then moved to the consideration of appointments to succeed those directors who were not to be reappointed, pursuant to the Board's rotation policy including the understanding reached at this meeting regarding application of that policy to certain Branch directors whose terms would expire at the end of 1958.

After discussion it was voted unanimously:

(1) To ascertain whether Mr. Edwin Hyde, President, Miller & Rhoads, Richmond, Virginia, was eligible for and would accept appointment, if tendered, as a Class C director of the Federal Reserve Bank of Richmond for a term of three years beginning January 1, 1959, and to make the appointment if he was eligible and would accept.

(2) To ascertain whether Mr. William A. Steele, President, Wheeling Steel Corporation, Wheeling, West Virginia, was eligible and willing to accept appointment, if tendered, as a director of the Pittsburgh Branch of the Federal Reserve Bank of Cleveland for a term of three years beginning January 1, 1959, and to make the appointment if he was eligible and would accept.

(3) To ascertain whether Mr. Robert McClung, rancher, of May, Oklahoma, was eligible and willing to accept appointment, if tendered, as a director of the Oklahoma City Branch of the Federal Reserve Bank of Kansas City for a term of two years beginning January 1, 1959, and to make the appointment if he was eligible and would accept. It was agreed, however, that before final action was taken on this appointment Governor Shepardson would discuss the matter with Dr. Oliver S. Willham, a Board-appointed director of the Kansas City Reserve Bank.

11/17/58

-9-

(4) To ascertain whether Mr. Clifford P. Hansen, rancher, of Jackson, Wyoming, was eligible and willing to accept appointment, if tendered, as a director of the Omaha Branch of the Federal Reserve Bank of Kansas City for a term of two years beginning January 1, 1959, and to make the appointment if he was eligible and would accept.

It was also agreed that if Mr. Hansen should not prove to be eligible for or willing to accept appointment, efforts would be made to ascertain whether Mr. Homer A. Scott, Vice President and District Manager, Peter Kiewit Sons' Company, Sheridan, Wyoming, was eligible and willing to accept appointment, if tendered, for this directorship on the Omaha Branch Board, and to make the appointment if he was eligible and willing to serve.

(5) To ascertain whether Mr. H. M. Murphy, President, Pinnacle Packing Company, Medford, Oregon, was eligible and willing to accept appointment, if tendered, as a director of the Portland Branch of the Federal Reserve Bank of San Francisco for a term of two years beginning January 1, 1959, and to make the appointment if he was eligible and would accept.

It was also agreed that in the event Mr. Murphy was not eligible to serve or was unwilling to accept appointment, efforts would be made to ascertain whether Mr. Raymond R. Reter, Reter Fruit Company, Medford, Oregon, would be eligible and willing to accept appointment, if tendered, to this directorship on the Portland Branch Board and to make the appointment if he was eligible and would accept.

(6) To ascertain whether Mr. Thomas B. Rowland, Rowland Bros. Dairy, Pocatello, Idaho, was eligible and willing to accept appointment, if tendered, as a director of the Salt Lake City Branch of the Federal Reserve Bank of San Francisco for a term of two years beginning January 1, 1959, and to make the appointment if he was eligible and willing to accept.

It was also agreed that in the event Mr. Rowland was not eligible to serve or was unwilling to accept appointment, efforts would be made to ascertain whether Mr. C. Ed Flandro, automobile dealer, Pocatello, Idaho, would be eligible and willing to accept appointment, if tendered, to this directorship on the Salt Lake City Branch Board and to make the appointment if he was eligible and would accept.

11/17/58

-10-

In each of these cases, it was understood that the Board's action with respect to the appointments would be discussed informally with the Chairman of each Reserve Bank when the calls concerning reappointments of other directors were made, and that the views of the Reserve Bank Chairman would be taken into consideration in making the appointments listed above.

The Board also agreed that the Chairmen of the respective Federal Reserve Banks involved would be asked to submit suggestions for the Board's consideration for appointments still to be made for terms beginning January 1, 1959, of Class C directors at Boston and New York and branch directors at Buffalo, Charlotte, Jacksonville, and El Paso.

Redecoration of Board Room. Governor Shepardson reported that the final figures for the cost of acoustical treatment and redecoration of the Board Room and purchase of a new rug were now available. The Board had made available \$21,000 for this purpose, and although certain additional items had arisen which were not originally contemplated, the actual cost for the entire project amounted to \$19,270.

Appointment of Employment Policy Officer (Item No. 1). Governor Shepardson recommended that the Board designate Merritt Sherman, Secretary of the Board, as its Employment Policy Officer to carry out the purposes of Executive Order No. 10590. He noted that Mr. Carpenter had served in this capacity when he was Secretary of the Board and that the



11/17/58

-11-

regulations provided that the employment policy officer of an agency should be someone not connected with the personnel department. It was unanimously agreed to designate Mr. Sherman as Employment Policy Officer and to advise the President's Committee on Government Employment Policy by letter in the form attached to these minutes as Item No. 1.

Following this action, there was a general discussion by the members of the Board of the recruitment practices and promotional policies within the Board's organization. During the discussion Messrs. Leonard, Director, Farrell, Associate Director, Daniels, Assistant Director, of the Division of Bank Operations, and Harris, Coordinator of Defense Planning, joined the meeting.

Provision of defense shelter space. Governor Shepardson reviewed for the Board the results of a preliminary survey to determine the feasibility of using the Board's parking lot on C Street for the construction of an underground shelter for the members of the Board and its staff. The architectural firm of Harbeson Hough Livingston & Larson had given a very rough estimate that the cost of developing an adequate shelter area might be in the order of \$2,000,000. The shelter would be below ground and would provide a suitable foundation for the erection of the building for which that architectural firm had prepared plans in the early 1940's, should such construction be decided upon at some future date for expansion of the Board's facilities. After describing the proposed shelter in some detail, Governor Shepardson said that the architectural firm would prepare a set of preliminary



11/17/58

-12-

drawings, sketches, and estimates of cost for 20 per cent of the total fee for the architectural services for the entire shelter, which would be equal to 5-3/4 per cent of the estimated total cost of the project. On the basis of the very rough estimate of \$2 million as the cost of the shelter, this would mean that the preliminary plans and estimates would cost the Board around \$25,000. There would be additional charges, he said, for mechanical engineering and other special consultants that might be involved.

Governor Shepardson went on to say that if the Board should decide to proceed beyond the preliminary plans and estimates and so advised the Architect in writing, an additional 60 per cent of the total fee would be payable when contract drawings and specifications were furnished and approved by the Board. The remaining 20 per cent would be paid only if the Board decided to proceed with the work on the shelter, and then upon final completion and acceptance by the Board and determination of the actual cost of the shelter. Under this arrangement, any fee paid for preliminary plans would be credited against the total architectural fee if the project were to be carried forward to completion. He also said that both the architectural firm and the Legal Division felt it desirable to consider plans for this project and the architectural fees involved for it separate and apart from the Board's 1940 contract with the firm for the development of plans for a building on that ground.

11/17/58

-13-

There followed a general discussion of the shelter and of the arrangements that Governor Shepardson had described for obtaining architectural services. During this discussion, Mr. Harris expressed the opinion that much of the consulting service necessary because of the special nature of the project would be available within the Government and without charge. At the conclusion of the discussion, during which the members of the Board indicated they were favorably disposed toward obtaining preliminary plans and cost estimates for the shelter, Governor Shepardson recommended that the staff be authorized to prepare a form of contract with Harbeson Hough Livingston & Larson for development of the preliminary plans as outlined, with the understanding that it would be submitted to the Board for its consideration.

The Board unanimously approved Governor Shepardson's recommendation.

Mr. Harris withdrew from the room at this point.

Little Rock Branch expansion. Governor Shepardson then reported on developments at the Little Rock Branch with regard to the possible acquisition of adjoining land to alleviate a bad traffic situation in connection with the security court of the Branch. It appeared that a highly desirable property adjoining the present site of the Branch could be obtained, provided the present owner was able to make a favorable trade of properties rather than selling the land

11/17/58

-14-

outright. The Branch had engaged the services of a real estate agent for the purposes of acquiring this or other suitable land. When the owner of the adjacent land offered to deal on the basis of a trade the real estate agent, who owned another piece of property which was acceptable to the owner, had taken a 30-day option and given the Little Rock Branch a 15-day option to acquire the adjoining land at a price of \$285,000, without payment of an agent's fee. This price was somewhat higher than the Branch had expected to pay but it did not appear to be out of line with prices on recent transactions for land in that vicinity of approximately the same size.

Governor Balderston raised the question whether the purchase price of this land would fall within the statutory limit available for branch building purposes.

Governor Shepardson replied that the question was somewhat complicated by the fact that there was an existing building on the land which the bank wanted to acquire. If that building were to be razed and the property used only for access purposes, there was less question that its cost would have to be placed against the statutory authorization. If the building should be permitted to stand, however, the transaction probably would fall within the authorization but only to the extent of the value of the building. This value, he thought, would be negligible in view of the current prices for vacant land in that area.

11/17/58

-15-

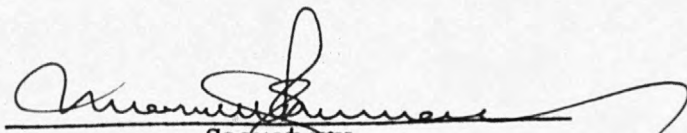
Governor Mills suggested that the Board indicate that it was disposed to be friendly to the proposed acquisition on the basis of the information submitted, and Governor Szymczak said he would go along but felt it important that the Board have complete information about the proposed transaction.

Governor Robertson said he was concerned about the prospect of dealing with one's agent as principal, which was the position the Branch would be in. He was not opposed in principle, but he felt the Board should know a good deal more about whether the St. Louis Bank would be adequately protected in such an arrangement.

Governor Balderston said that he thought Mr. Johns in this instance was giving the Board an opportunity to wave a red flag on the transaction if it wished to do so, but it was clear that the consensus was not to raise such a flag at this time. It was understood that this view would be transmitted to Mr. Johns.

The meeting then adjourned.

Secretary's Note: Pursuant to the recommendation contained in a memorandum dated November 13, 1958, from Mr. Sammons, Associate Director, Division of International Finance, Governor Shepardson today authorized on behalf of the Board Reed J. Irvine, Chief of the Far Eastern Section in that Division, to teach a course at the American University in Economics of the Far East during the spring semester beginning February 11, 1959, on one evening a week, with an honorarium of \$330.

  
Secretary



Item No. 1  
11/17/58BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

OFFICE OF THE CHAIRMAN

November 18, 1958

Mr. Archibald J. Carey,  
Chairman,  
The President's Committee  
on Government Employment Policy,  
Washington 25, D. C.

Dear Mr. Carey:

On May 26, 1955 you were advised that the Board of Governors of the Federal Reserve System had designated Mr. S. R. Carpenter, Secretary of the Board, as its Employment Policy Officer in order to carry out purposes of Executive Order No. 10590 dated January 19, 1955.

Mr. Carpenter has retired from the Board's staff and has been succeeded as Secretary by Mr. Merritt Sherman, whom the Board has now designated as its Employment Policy Officer to carry out the purposes of Executive Order No. 10590.

My letter of February 20, 1956 informed you that Mr. Clarke L. Fauver, Assistant Secretary of the Board, had been designated Deputy Employment Policy Officer. That designation continues in effect.

Sincerely yours,

A handwritten signature in cursive script that reads "Wm. McC. Martin, Jr." The signature is written in dark ink and is positioned above the typed name.

Wm. McC. Martin, Jr.