

Minutes for November 28, 1958

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>mw</u>	_____
Gov. Szymczak	x <u>[Signature]</u>	_____
Gov. Vardaman <u>1/</u>	_____	x _____
Gov. Mills	x <u>[Signature]</u>	_____
Gov. Robertson	x <u>R</u>	_____
Gov. Balderston	_____	x <u>CCB</u>
Gov. Shepardson	x <u>[Signature]</u>	_____

1/ In accordance with Governor Shepardson's memorandum of March 8, 1957, these minutes are not being sent to Governor Vardaman for initial.

Minutes of the Board of Governors of the Federal Reserve System
on Friday, November 28, 1958. The Board met in the Board Room at 9:30 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Szymczak
Mr. Mills
Mr. Robertson
Mr. Shepardson

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Johnson, Director, Division of Personnel
Administration
Mr. Noyes, Adviser, Division of Research and
Statistics

Discount rates. Unanimous approval was given to telegrams to the Federal Reserve Banks of Cleveland, Richmond, Chicago, St. Louis, and San Francisco approving the establishment without change by those Banks on November 26, 1958, of the rates on discounts and advances in their existing schedules.

Leave without pay for Mr. Wood. There had been circulated to the members of the Board a memorandum dated November 7, 1958, from Mr. Young, Director, Division of Research and Statistics, recommending that leave without pay for one year beginning on or about February 1, 1959, be granted to Ramsay Wood, Economist in that Division, to enable him to accept a temporary appointment with the Real Estate Research Program at the University of California, Los Angeles, pursuant to an offer extended by the Chairman of that Program. Mr. Wood's major responsibility would be to assist in planning the scope of a program of economic research in real estate and to assist in initiating the projects decided upon. The appointment would be for one year and would carry a salary of \$12,000 for eleven

11/28/58

-2-

months actually spent on the job, but no allowance would be made by the University for travel or moving expenses.

Mr. Young's memorandum stated reasons why it was believed that the leave of absence would result in benefits to the work of the Board and would be in line with the Board's policies for staff development. It also noted the possibility that a leave of absence somewhat longer than one year, but not more than two, might later be found desirable to obtain the most benefit from the leave of absence. The memorandum suggested that Mr. Wood be authorized travel expenses to Los Angeles and return in accordance with the Board's travel regulations.

Discussion of this matter had commenced in executive session on November 26 and was carried over to this meeting in view of questions raised by some of the members of the Board, including whether Mr. Wood's travel expenses should be paid by the Board.

Governor Shepardson said it seemed to him that this was a fortunate opportunity to provide Mr. Wood further development in an area closely related to his regular duties along with access to certain materials that would permit him to experiment with devices and techniques of interest and benefit both to the Board and himself. Because of the advantages of the proposition and because the terms of the University's offer would involve something of a financial sacrifice to Mr. Wood, he felt that payment of the travel expenses to Los Angeles and return would be justified.

Governor Robertson suggested that it might be easier to justify payment of travel expenses under an arrangement pursuant to which Mr. Wood

11/28/58

-3-

would remain on the Board's pay roll during the period of his special assignment and the amount of the salary offered by the University of California would be reimbursed to the Board by the University. As he saw it, the Board was providing the services of one of its employees only because of benefits that would be derived by the Board, the individual, and the public. To the extent that the University also derived benefits from Mr. Wood's services, it would reimburse the Board.

In discussion of Governor Robertson's suggestion the view was expressed that such an arrangement might tend to alter the terms of responsibility, that under the leave of absence the lines of responsibility would flow primarily between the University and Mr. Wood, but that if Mr. Wood remained on the Board's pay roll a greater burden of responsibility for his conduct and services would devolve upon the Board. In addition, the comment was made that the precedent established by the alternative arrangement might make it difficult for the Board to deal with similar requests from other academic or research organizations.

Governor Mills, who along with Governor Robertson had raised a question about payment of the travel expenses, said it was difficult for him to feel that this kind of an arrangement, involving a leave of absence without pay, would be analyzed by a person outside the System except in terms of an opportunity for the individual concerned. If so, it would seem to follow that an individual electing to take advantage of the opportunity should defray the expenses of traveling to and from the location of the special assignment. Governor Mills also recalled that

11/28/58

-4-

question had been raised on occasions in the past whether it was entirely in order to continue to make retirement contributions on behalf of a person on leave of absence without pay.

Governor Mills' comments led to a review of pertinent retirement provisions during which it was explained that continued retirement contributions on behalf of an employee on leave of absence without pay are provided for under Civil Service regulations. However, the employee would only get retirement credit for six months of any calendar year spent under such an arrangement and the Board's staff had raised with the Federal Reserve Retirement System a question as to whether the Board should be required to make contributions in Mr. Wood's case for more than six months of a calendar year during which he was on leave without pay. An indication had been received that the Retirement System would be receptive to a request for a change in the pertinent rules. In this connection it was brought out that insurance coverage for Mr. Wood for the remaining portion of his leave of absence could be provided at rather nominal cost.

Chairman Martin commented that in matters such as the proposal with respect to Mr. Wood there was always a tendency to look for principles of general application. Much as he would like to find such principles, he doubted whether it was possible to establish them because of the factors of judgment involved in each case. Governor Szymczak spoke in a similar vein, stating that he had a great deal of sympathy with the points raised by Governors Mills and Robertson but that he had difficulty in finding a

11/28/58

-5-

general pattern because each case that came up was a little different from other cases. If the Board should establish a precedent of furnishing members of its staff to universities for particular assignments under arrangements whereby responsibility would run between the Board and the university, he felt it must be prepared for numerous requests of that kind.

Governor Mills then stated that it would be agreeable to him to handle the case of Mr. Wood in the manner recommended although he continued to have reservations about the payment of travel expenses because it might open up an area of criticism against which the Board would find a defense difficult. He went on to say that the System had declared itself outspokenly against all of the evils of the wage-price spiral but that in certain respects he wondered whether the System was living up to its public declarations. In this connection he referred to annual increases in Reserve Bank officer salaries and to the adjustment of Reserve Bank salary structures based upon the principle of the Bank taking the lead in community salary standards and providing salaries more generous than banks in the community. He found theoretical difficulties, at least, in reconciling such actions with public declarations and with criticism by the System of other interests for indulging in practices which work back into price pressures.

Governor Robertson stated that in the case of Mr. Wood he was certain in his own mind that there were benefits to be gained from the standpoint of the employee, the Board, and the public interest. As to

11/28/58

-6-

procedure, it was his judgment that the alternative arrangement he had suggested was preferable but he would not object to the procedure recommended.

Thereupon, the recommendations contained in the memorandum from Mr. Young with respect to the leave of absence for Mr. Wood were approved.

Mr. Johnson then withdrew.

Central Bank of El Salvador. It was noted that invitations had been received at the Board and staff level to attend ceremonies incident to the opening of new quarters of the Central Bank of El Salvador on December 20, 1958. After some discussion it was agreed to get in touch with Mr. Marget, Director of the Division of International Finance, to determine whether he would consider it advisable to remain in Latin America until the date in question in order that the Board might be represented at the ceremonies.

At this point Messrs. Riefler, Assistant to the Chairman, Thomas, Economic Adviser to the Board, Shay, Legislative Counsel, and Wood, Economist, Division of Research and Statistics, entered the room.

Paper prepared for Senate Housing Subcommittee. Pursuant to a request received in September from the Housing Subcommittee of the Senate Banking and Currency Committee and the procedure agreed upon by the Board for compliance with that request, Mr. Wood had prepared a paper dealing with credit terms and the demand for residential construction. Copies thereof had been distributed to the Board with a memorandum from Mr. Noyes dated November 25, 1958. It was understood that the document

11/28/58

-7-

would be published by the Subcommittee in a symposium on housing prospects for the next decade and that the papers would be identified as representing the views of the individual authors.

Mr. Noyes said it was the feeling of the staff that the paper was of a general standard that would reflect credit on the Board. He also commented that it did not deal directly with controversial matters and that it was primarily a technical analysis. Although the Board might have some measure of responsibility for the work of a member of its staff, the primary responsibility would fall upon the author.

Mr. Shay commented that it was the plan of the Subcommittee to hold hearings on the several papers at which the respective authors would be called to testify. It now appeared that the hearings might be held around the middle of February.

After further discussion, it was understood that Mr. Wood's paper would be transmitted to the Subcommittee in a form incorporating certain technical corrections.

The meeting then adjourned.

Secretary's Notes: Governor Shepardson today approved on behalf of the Board a memorandum from Governor Vardaman dated November 21, 1958, requesting that his Secretary, Mrs. Duke, be permitted to continue work on his records and files for approximately 30 days after his departure from the Board and that she not be assigned any other duties during that period except in an emergency.

11/28/58

-8-

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

Appointment

Paul L. Tedrow as Guard, Division of Administrative Services, with basic annual salary at the rate of \$3,255, effective the date he assumes his duties.

Reemployment following maternity leave

Patricia R. Baker, Stenographer, Division of Examinations, with basic annual salary at the rate of \$4,135, effective the date she assumes her duties.

Salary increase

Eugene C. Harrison, Law Clerk, Legal Division, from \$4,790 to \$4,940 per annum, effective November 30, 1958.


Secretary