

Minutes for September 21, 1959.

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. Mills	x <u>[Signature]</u>	_____
Gov. Robertson	x <u>R</u>	_____
Gov. Balderston	x <u>CCB</u>	_____
Gov. Shepardson	x <u>[Signature]</u>	_____
Gov. King	x <u>[Signature]</u>	_____

Minutes of the Board of Governors of the Federal Reserve System

on Monday, September 21, 1959. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
Mr. Riefler, Assistant to the Chairman
Mr. Thomas, Economic Adviser to the Board
Mr. Molony, Assistant to the Board
Mr. Fauver, Assistant to the Board
Mr. Young, Director, Division of Research and
Statistics
Mr. Hackley, General Counsel
Mr. Solomon, Director, Division of Examinations
Mr. Sammons, Associate Adviser, Division of
International Finance
Mr. Landry, Assistant to the Secretary

Messrs. Gemmill, Goldstein, Irvine, Katz,
Maroni, Reynolds, and Wood of the Division
of International Finance.

Economic review. The staff of the Division of International Finance presented a review of international economic conditions and developments, after which the members of that Division withdrew from the meeting.

Memorandum from Miss Hart dated September 18, 1959, commenting on the presentation by the New York Clearing House Association on "carrying". At Chairman Martin's suggestion, it was agreed that consideration of this memorandum be held over to a later meeting.

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Messrs. Thomas and Young withdrew from the meeting and Messrs. Chase and O'Connell, Assistant General Counsel, entered during the following discussion.

S. 1070, a bill to amend and recodify the Administrative Procedure Act. In a memorandum dated September 15, 1959, the Legal Division presented summary comments on S. 1070, a bill to amend and recodify the Administrative Procedure Act, a draft of section by section comments on the bill, and a draft letter to Senator Eastland, Chairman, Senate Committee on the Judiciary, in reply to his letter of August 13, 1959, requesting the Board's views on this legislation.

Mr. Hackley noted that an important feature of the bill was a requirement that prior notice be given for all rule making of an agency whereas the present law permits the waiving of such notice where the agency finds that such public announcement "would be contrary to public interest." Under the proposed bill, any rule issued under this section without such prior notice and hearings would be a "temporary or emergency rule" and could not remain in effect more than six months unless extended after notice in public hearings. Mr. Hackley felt that such a requirement would be impractical in matters such as changes in margin requirements. He also pointed out that another problem area in the language of the bill related to judicial appeals from administrative decisions. At present an appellate court will accept an agency's decision if the latter is supported by

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"substantial evidence." S. 1070, on the other hand, apparently would allow a court to reverse the agency if the court found that the agency's decision was "based upon findings of fact that were clearly erroneous."

In making his statement, Mr. Hackley stressed that he was merely presenting a preliminary report on this bill and that the Board would have further opportunity to consider it later on. In reply to a question from Governor Robertson regarding the subpoena power, Mr. Hackley observed the language of the bill was not clear on this point. Under the present law, an agency must have received specific authorization to exercise the subpoena power. In this connection Mr. Chase suggested that the Board might wish to raise a question concerning this point in its section by section comment on the bill, and Mr. O'Connell noted that the language of the bill specified that presiding officers should have the subpoena power during agency hearings whereas current law vests subpoena power in the agency itself.

After additional discussion, it was agreed that the letter to Senator Eastland should be revised and brought back to the Board for further consideration.

Messrs. Chase and O'Connell then withdrew and Messrs. Johnson, Director, and Sprecher, Assistant Director, Division of Personnel Administration, entered the room.

Letter to Dr. Carey (Item No. 1). Pursuant to a request dated May 18, 1959, by Dr. Carey, Chairman of the President's Committee on

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Government Employment Policy, a report had been prepared by Mr. Sherman in his capacity as Employment Policy Officer for the Board of Governors concerning operations of the Board under Executive Order 10590. The report, copies of which had been distributed before this meeting, covered the period January 18, 1955 to June 30, 1959.

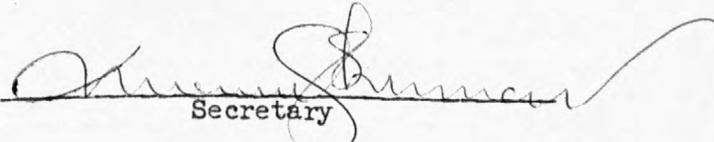
There followed a detailed discussion of parts of the report and a general discussion of the extent to which members of minority groups were employed in various capacities in the Board's organization.

During the discussion Mr. Sherman noted that the President's Committee on Government Employment Policy would have a meeting on Wednesday, September 23, 1959, and that he, Mr. Fauver, and Mr. Sprecher planned to attend.

At the conclusion of the discussion, there was unanimous agreement that the report should be transmitted to Dr. Carey by letter prepared for Chairman Martin's signature in the form attached to these minutes as Item No. 1.

The meeting then adjourned.

Secretary's Note: Governor Shepardson today approved on behalf of the Board a letter to the Federal Reserve Bank of Dallas (attached Item No. 2) regarding a survey of filing procedures at that Bank by personnel from the Board's records staff.


Secretary



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 1
9/21/59

OFFICE OF THE CHAIRMAN

September 21, 1959.

Dr. Archibald J. Carey, Jr.,
Chairman, The President's Committee
on Government Employment Policy,
308 Main Civil Service Commission Building,
Washington 25, D. C.

Dear Dr. Carey:

As requested in your letter of May 18, 1959,
Mr. Merritt Sherman, Employment Policy Officer for the
Board of Governors, has prepared the attached progress
report concerning operations under Executive Order 10590.

This report covers the period from January 18,
1955 to June 30, 1959, and is responsive to the question-
naire included with your letter.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.

Attachment

Progress Report of the Employment Policy Officer

of the

Board of Governors of the Federal Reserve System

(January 18, 1955 to June 30, 1959)

1. (a) Have you taken steps to assure yourself that all persons engaged in recruiting give fair and equal consideration to all applicants and, as far as practicable, to all sources of recruiting? (Check-list, Item 4.)

Yes. Conferences have been held from time to time with members of the Personnel Division engaged in recruiting to make certain that fair and equal consideration is given to all applicants for positions at the Board.

Likewise, a review has been made of recruiting processes to determine that there has been no systematic exclusion of sources for applicants who might be members of minority groups.

In recruiting new personnel, the small size of the Board's organization is an important factor. Its needs for new employees are limited essentially to the turnover of its existing staff. Usual sources of recruiting are used to fill vacancies such as drop-in applicants, and applicants who make inquiry by telephone or mail, as well as referral of applicants who may be acquaintances of present employees. Continual contact is maintained with placement offices of high schools, business schools, and colleges for referral of applicants for specific positions and, on occasion, it has been necessary to resort to newspaper advertising or to send circulars to nearby schools to seek applicants particularly in the clerical,

typing, or stenographic fields. The process in connection with contacting placement offices in the various schools has been studied to determine that there has been no systematic exclusion of potential sources.

1. (b) Have you examined, on an adequate sample basis, certificates of eligibles to see that members of minority groups are not being systematically excluded from certain types of positions? (Check-list, Item 5.)

Positions at the Board of Governors are not covered by the Classification Act and, therefore, "certificates of eligibles" are not used by this agency. However, on two occasions since January 1955, a 100 per cent review has been made of all applications received by the Personnel Division within a given month to determine their consideration and disposition.

The first of these reviews covered all applications received by, or contacts made with, the Personnel Division during the month of August 1956. The report submitted on the basis of this review stated:

So far as could be determined, there was no evidence that the procedures used by the Personnel Division would result in any violation of the basic employment policy spelled out in the regulations and procedures of the Board issued on July 25, 1955, to carry out the purposes of Executive Order 10590 relating to employment policy. It can be stated with definiteness that so far as the procedures of the Personnel Division are concerned, all applications are forwarded to the operating division having existing or potential vacancies in positions for which the applicant would be qualified. It should be noted that in general the employment standards of the Board are exceptionally high. A testing program is used for determining the qualifications

of applicants for positions that are appropriate for testing procedures, such as clerical, typing, and stenographic positions. Applicants failing to meet minimum standards are, of course, rejected without referral to operating divisions.

A second review covered all applications received, or contacts made with, the Personnel Division during June 1957. The findings of the second review were similar to the first. There is no reason to assume that the experience in these months of the year would be any different than in other periods. Continuous liaison with the Personnel Division indicates that procedures have not been changed since the date of the last review.

1. (c) Have you observed the personnel of the components of your department or agency to determine whether members of minority groups are restricted to certain low-level positions? (Check-list, Item 7.)

Yes. Members of minority groups are not restricted to certain low-level positions and may be found at virtually all levels within the Board's organization.

1. (d) Are there any units within your organization where employees are segregated on the basis of race, color, religion, or national origin? (Check-list, Item 8.)

No. While certain units in the Board's organization are comprised largely of members of a minority group, this has not come about as a result of any planned segregation of employees on the basis of race, color, religion, or national origin. It has resulted from the tendency for minority groups to be more available for certain kinds of work.

1. (e) Does your department or agency have Negroes in supervisory positions? If so, do they supervise white employees? (Check-list, Item 9.)

As indicated in the Board's letter to the President's Committee, dated April 26, 1956, there are a number of Negroes in supervisory positions within the Board's organization. In some areas Negroes instruct white employees in the use of machines or techniques in the course of their work. Negroes have not been excluded from supervisory positions over white employees. Although at the present time none is in such a position, such arrangements have existed and proved satisfactory in the past.

1. (f) Have you checked to determine whether there is a belief on the part of supervisors that white employees would refuse to work cooperatively with Negroes, particularly if the latter were placed in supervisory positions? (Check-list, Item 10.)

Negroes and white employees work together harmoniously in several different units and divisions within the Board's organization. There is no reason to believe that white employees would refuse to work cooperatively with Negroes in supervisory positions over them. On the contrary, as indicated in the answer to 1(e) above, such arrangements have existed and proved satisfactory in the past.

2. To what extent have the non-discrimination policy and program been included in your inservice programs, and on the agenda of staff, executive, and supervisory conferences?

The nature and size of the Board's organization has an important bearing on the methods used to bring before the members of its staff

the rules, regulations, and principles regarding the nondiscrimination policy. Action to inform the staff regarding the policy preceded Executive Order 10590, of course, going back at least as far as Executive Order 9980 of 1948, setting forth basic Fair Employment Practices.

So far as Executive Order 10590 is concerned, the provisions of the Board's regulations relating to this Order have been called to the attention of every officer, supervisor, and employee at least once a year since their adoption. In July 1955, every person on the staff was provided with a personal copy of the Rules and Regulations. In 1956, copies were again circulated and initialed by everyone within the various divisions of the Board's organization. In 1957, a copy of Memorandum No. 9, prepared by the President's Committee and dated April 3, was distributed to each member of the staff. When the Board's regulations were altered in February 1958, to take account of Executive Order 10722, a copy of the revised regulations was made available to each officer, supervisor, and employee. Finally, an employees handbook, recently completed for the convenience and use of the staff, also includes a statement of the nondiscrimination policy.

Moreover, as each new employee joins the Board's staff, he is indoctrinated regarding this policy. During the induction process, each new employee is given a copy of the Board's rules and regulations,

together with a letter from the Employment Policy Officer. This letter begins: "It is the policy of the Board of Governors that all personnel actions shall be based solely on merit and not on considerations of race, color, religion, or national origin." It invites the new employee to bring to the Employment Policy Officer or his deputy any questions he might have concerning the policy.

As a result of this comprehensive orientation program it is believed that the Board's employees have a good understanding of what is expected in regard to this policy, as well as of what their right of redress is, if they should feel on the basis of their personal experience that the policy has not been followed.

The nondiscrimination policy has been discussed on various occasions at meetings of the Board and the senior staff as well as in divisional staff conferences. Discussion of the policy will also be included in a supervisory development training activity now being instituted.

3. If your department or agency has recruited employees from sources other than civil service registers, what measures have you adopted to insure that no discrimination because of race, color, religion, or national origin was resorted to in the recruiting, examining, and appointing process?

As indicated in the answers to 1(a) and 1(b) above, positions on the Board's staff are not covered by the Classification Act, and therefore all recruiting is from other than civil service registers.

Please see the answers to these questions for measures adopted to insure that no discrimination because of race, color, religion, or national origin is resorted to in the recruiting, examining, and appointing process.

4. Aside from the survey made at the request of the Committee in five cities in 1956, have any surveys been made by you, either specific or general, to determine the extent to which minority groups have obtained employment or advancement? If your answer is "yes" furnish information concerning such placements.

No surveys similar to the comprehensive visual check made in 1956 at the Committee's request have been made. However, the small size of the Board's organization makes it practicable for the Employment Policy Officer personally to observe procedures throughout the organization. On the basis of general surveys that he has made, it is apparent that employment opportunities and advancements have been given to individuals without regard to the fact that they may be members of minority groups.

5. Do you know of instances in which members of minority groups, particularly Negroes, have been placed in positions or job categories previously not open to such group members since Executive Order 10590 was issued on January 18, 1955? If your answer is "yes" furnish information concerning such placement.

No. The Board's policy of nondiscrimination predates Executive Order 10590.

6. Does your department or agency have a formal program for the inspection of management and personnel functions of bureaus and field establishments? If so, to what extent is this service being used to secure information concerning the effectiveness of the nondiscrimination program provided for by Executive Order 10590?

As indicated in previous correspondence with the Committee, the Board of Governors does not have a field organization in the usual sense of this term as applied to other government agencies. The Federal Reserve Banks are quasi-governmental organizations, and their employees are not government employees. Therefore, while the Board does have a formal program for inspection of management and personnel functions of the Reserve Banks, such a program is not used in the manner suggested by the question.

With regard to the Board's own organization, responsibility for developing information concerning the effectiveness of the nondiscrimination program provided for by Executive Order 10590 has been placed on the Employment Policy Officer and his deputy. Periodic inspections have been made to determine that the policy of nondiscrimination is being followed in the recruitment, placement, promotion, and retention of employees.

7. In your department or agency has the non-discrimination policy been strengthened and advanced by Executive Order 10590. Explain your answer.

The nondiscriminatory policies provided for in Executive Order 10590 are substantially the same as those set forth in its predecessor, Executive Order 9980, which outlined the basic policy of prohibiting discrimination against any employee or applicant for employment because of race, color, religion, or national origin. From that limited view, therefore, it could be contended that Executive Order 10590 did not strengthen or advance the Board's nondiscriminatory policy, inasmuch as the Board had been adhering to the Fair Employment Policy criteria.

On the other hand, certain administrative changes brought about by Executive Order 10590 were significant. As an example, the separation of the responsibility for carrying out the policy from the division handling personnel matters established an independent check on compliance and provided an additional safeguard for objectivity. Similarly, the more active leadership provided by the independent President's Committee since June 1955, has in turn provided a basis for more frequent presentation of these matters to Board employees. From the broad point of view, therefore, it would appear that while Executive Order 10590 did not change the basic policy of the Board of Governors regarding non-discrimination, that policy has been strengthened and advanced because of administrative changes which accompanied it.

8. Report on any additional activities which you believe would be of interest or assistance to those concerned with the effectiveness of the non-discrimination policy.

Although this agency has no activities of its own to report, it would like to point out that experiences of other agencies, as noted in the Committee's Employment Policy News, have been of considerable interest. For example, good use was made of the excellent pamphlet on "The Federal Nondiscrimination Policy" published by the Veterans Administration and reported in the News.

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It would hardly have been practical, of course, to print such a booklet for the small number of executives in the Board's organization. By circulating a copy of the VA pamphlet, however, to each division director, it was possible to accomplish the same purpose.

* * * *

Respectfully submitted,

(Signed) Merritt Sherman

Merritt Sherman
Employment Policy Officer

September 15, 1959.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON 25, D. C.

Item No. 2
9/21/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 21, 1959



Mr. W. H. Irons, President,
Federal Reserve Bank of Dallas,
Dallas 2, Texas.

Dear Mr. Irons:

It is understood that in recent conversations you expressed a desire to have the advice of personnel from the Board's records staff with regard to the installation of improved filing procedures at the Federal Reserve Bank of Dallas.

The Board has considered your request and will be pleased to comply. As an initial step, Miss Edna B. Poeppel, Chief of the Board's Records Section, would be prepared to visit the Dallas Bank for a week in order to appraise your requirements and make preliminary findings. Miss Poeppel could arrange to be at the Bank on Wednesday, October 14, and remain through Tuesday, October 20, if that would be convenient from your standpoint.

Following Miss Poeppel's general survey, arrangements could be made for a qualified person or persons to go to Dallas and remain for such time as necessary to establish a revised filing system and begin the training of Bank staff assigned to that function. On the basis of similar work done several years ago at the Federal Reserve Bank of Atlanta, it is estimated that approximately two months might be required to accomplish these purposes.

Miss Poeppel and any other person or persons assigned to this project would be retained on the Board's pay roll on a nonreimbursable basis, but it would be expected that travel and incidental expenses would be reimbursed to the Board by the Reserve Bank upon submission of appropriate vouchers.

If you would like to proceed under an arrangement such as that outlined, please let us know whether the date of October 14 would be suitable for Miss Poeppel's initial visit.

Very truly yours,

Merritt Sherman,
Secretary.