

Minutes for June 22, 1960

To: Members of the Board

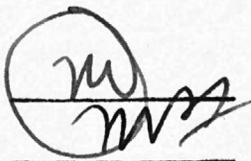
From: Office of the Secretary

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.

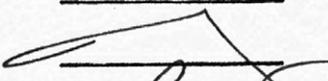
Should you have any question with regard to the minutes, it will be appreciated if you will advise the Secretary's Office. Otherwise, please initial below. If you were present at the meeting, your initials will indicate approval of the minutes. If you were not present, your initials will indicate only that you have seen the minutes.

Chm. Martin

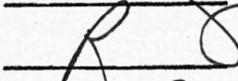


Gov. Szymczak

Gov. Mills



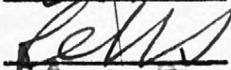
Gov. Robertson



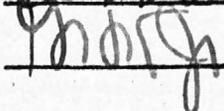
Gov. Balderston



Gov. Shepardson



Gov. King



Minutes of the Board of Governors of the Federal Reserve System  
on Wednesday, June 22, 1960. The Board met in the Board Room at 11:00 a.m.

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

Mr. Sherman, Secretary  
Mr. Shay, Legislative Counsel  
Mr. Molony, Assistant to the Board  
Mr. Fauver, Assistant to the Board  
Mr. Hackley, General Counsel  
Mr. Farrell, Director, Division of Bank  
Operations  
Mr. Connell, Controller  
Mr. Masters, Associate Director, Division  
of Examinations  
Mr. Daniels, Assistant Director, Division  
of Bank Operations  
Mr. Smith, Assistant Director, Division  
of Examinations  
Mr. Bass, Assistant Controller  
Mr. Landry, Assistant to the Secretary

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

Item No.

- |  |   |
|--|---|
| Telegram to the Federal Reserve Bank of Kansas City<br>interposing no objection to its calling for bids for<br>the construction of an addition and for alterations<br>to the Oklahoma City Branch building.  | 1 |
| Letter to Chairman Robertson of the Senate Banking<br>and Currency Committee, reporting favorably on S. 3702,<br>a bill to amend section 14(b) of the Federal Reserve Act,<br>as amended, to extend for two years the authority of the<br>Federal Reserve Banks to purchase United States obligations<br>directly from the Treasury. | 2 |

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Assessment on Federal Reserve Banks for Board expenses during the second half of 1960. Copies had been distributed of a memorandum dated June 21, 1960, from Mr. Bass. It was recommended in the memorandum that an assessment of .00294 of their total paid-in capital and surplus as of June 3, 1960, be levied on the Reserve Banks to meet the estimated expenses of the Board for the second half of 1960.

Governor Mills referred to a statement in the memorandum that a general pay increase effective July 10, 1960, in line with the recent Act of Congress providing for a 7-1/2 per cent increase in the salary scale for classified Civil Service employees if adopted by the Board, would increase salary expenses for the remainder of the year by approximately \$150,000. Since the President had not yet acted on this bill and since there was uncertainty as to whether it would become law, he proposed that the assessment be deferred, preferably until definite information was available as to whether it would be enacted.

Following an observation from Mr. Bass to the effect that the Board had adequate funds to operate until the early part of July, it was agreed that action on this item be deferred.

Messrs. Connell, Daniels, and Bass then withdrew from the meeting.

Request from Mr. Patman. There had been distributed to the Board prior to the meeting copies of a letter dated June 21, 1960, from Chairman Patman of Subcommittee No. 3 of the House Committee on Banking and Currency.

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This letter requested copies of the supplemental, confidential memoranda containing the examiner's comments regarding management of the Federal Reserve Banks of New York, Chicago, and San Francisco for the years 1957-59, inclusive, and reviewing operations of the auditing departments.

Mr. Masters recalled that in response to a similar request from Mr. Patman in October 1957, the Board decided not to make the supplemental examination memoranda available to Mr. Patman on the grounds that such action would interfere with the freedom of the examiner in expressing his views and thus impair the usefulness of the supplemental memoranda. Governor Robertson said that there was nothing in the confidential memoranda that had been requested that should not be made available to the Committee on Banking and Currency. However, he hoped Mr. Patman would realize the nature of the reports and withdraw his request. If he had any doubt about their content, a copy with the names blanked out could be furnished to him.

Governor Mills said that he had a great deal of sympathy with the position indicated by Governor Robertson. He did not know, however, whether the General Accounting Office prepared similar memoranda with respect to agencies it audited and, if they did, whether they were held in confidence from Congressional committees. If the General Accounting Office prepared similar reports and made them available to the Congress, it would be difficult for the Board to withhold the confidential memoranda regarding the Federal Reserve Banks from a committee of Congress.

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During the ensuing discussion, Chairman Martin said that perhaps the confidential memoranda should be discontinued. If they were to be prepared, he was disposed to accede to Mr. Patman's request, at the same time informing him that should he make the details public they might prove embarrassing to certain individuals, and in consequence the Board would feel obliged to discontinue such reports. On balance, he favored full disclosure and he disliked seeing the Board placed in the position of withholding from Congress what were essentially harmless documents.

Governor Szymczak said that in his opinion the Board had no real choice but to accede to Mr. Patman's request. However, he believed that Mr. Patman should be told on the telephone or in person the exact nature of the confidential material in these reports.

There then ensued an extended discussion of the contents of the confidential memoranda that are prepared by the Board's examiners to supplement the reports of examination of the Reserve Banks, of the pros and cons on having such supplemental memoranda, and of the pros and cons of making them available to a Committee of Congress upon request.

At the conclusion of the discussion, it was agreed that this item be placed on the docket for the meeting on Monday, June 27, 1960, the day before Chairman Martin was to testify before Mr. Patman's Subcommittee No. 3.

The meeting then adjourned.

Secretary's Notes: Pursuant to recommendations contained in memoranda from appropriate individuals concerned, Governor Robertson, acting in the absence

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of Governor Shepardson, today approved on behalf of the Board increases in the basic annual salaries of the following persons on the Board's staff, effective June 26, 1960:

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Board Members* Offices</u>			
George L. Spencer, Jr., Secretary to Mr. Szymczak		\$7,270	\$7,510
<u>Office of the Secretary</u>			
Joan V. Caulfield, Senior Records Clerk		4,490	4,640
Diane Quick, Clerk-Stenographer		3,945	4,040
<u>Legal</u>			
Jeanne A. Chambers, Stenographer		3,755	3,850
<u>Research and Statistics</u>			
Philip T. Allen, Economist		10,130	10,370
June E. Farrell, Clerk-Stenographer		3,850	3,945
Carolyn B. Hammond, Statistical Clerk		3,780	3,875
Eva G. Kennedy, Statistical Clerk		3,850	3,945
Robertta M. O'Rourke, Clerk-Stenographer		3,850	3,945
Gail J. Payne, Draftsman Trainee		3,495	3,590
Charlene Gail Roberts, Clerk-Stenographer		4,230	4,325
Mary Ann Shuler, Secretary		4,340	4,490
Mary K. Stephanos, Secretary		5,090	5,240
<u>Bank Operations</u>			
Marie L. Phipps, Statistical Typist		4,135	4,230
<u>Examinations</u>			
Douglas L. Orre, Assistant Federal Reserve Examiner		5,430	5,580
<u>Personnel Administration</u>			
Nancy E. Harcourt, Clerk-Stenographer		3,945	4,040

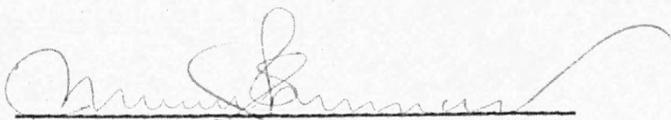
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Salary increases, effective June 26, 1960 (continued)

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Administrative Services</u>			
William F. Becker, Captain, Guard Force		\$4,490	4,640
Ruth Jean Myers, Publications Clerk		4,490	4,640
Mary F. Murphy, Mailing List Clerk		4,230	4,325
Willa I. Davis, Clerk-Stenographer		3,850	3,945
P. D. Maddox, Guard		3,445	3,540
James Jackson, Laborer		3,340	3,435
Bishop Hart, Operator, Duplicating Devices		4,098	4,306

Governor Robertson also approved today on behalf of the Board a letter to the Federal Reserve Bank of Richmond (attached Item No. 3) approving the designation of Richard H. Jones as special assistant examiner.

  
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 Secretary

T E L E G R A M  
LEASED WIRE SERVICEItem No. 1  
6/22/60BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON

June 22, 1960.

Leedy - Kansas City

Board interposes no objection to your Bank's calling for bids for construction of addition and for alterations to Oklahoma City Branch building on the basis of plans and specifications referred to in Mr. Clay's letter of June 15, 1960.

In accordance with customary procedures, a summary report of the bids should be forwarded to the Board together with recommendation of the Bank as to acceptance.

(Signed) Merritt Sherman

Sherman



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

Item No. 2  
6/22/60

OFFICE OF THE CHAIRMAN

June 22, 1960

The Honorable A. Willis Robertson,  
Chairman,  
Committee on Banking and Currency,  
United States Senate,  
Washington 25, D. C.

Dear Mr. Chairman:

This is in response to your request for the Board's views on S. 3702, to amend section 14(b) of the Federal Reserve Act, as amended, to extend for two years the authority of the Federal Reserve Banks to purchase United States obligations directly from the Treasury. Under existing law, the authority will terminate on June 30, 1960.

The use of this authority by the Federal Reserve enables the Treasury to avoid creating unnecessary financial strains that would otherwise occur if it had to draw heavily on its accounts especially during periods immediately preceding tax payment dates. Temporary Treasury borrowing at such times, followed by prompt repayment from the proceeds of tax payments, provides a smooth operating mechanism, without the abrupt money market fluctuations that would otherwise occur. The authority could also be useful in dealing with situations resulting from a national emergency. Since 1942 when the authority was granted it has been sparingly used, and its use is reported, as required by law, each year in detail in the Board's Annual Report. The results of its use also appear currently in weekly statements issued by the Federal Reserve and in daily statements issued by the Treasury. The Board, therefore, recommends approval of the bill.

Sincerely yours,

*Wm. McC. Martin, Jr.*  
Wm. McC. Martin, Jr.

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

Item No. 3  
6/22/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

June 22, 1960.

Mr. N. L. Armistead, Vice President,  
Federal Reserve Bank of Richmond,  
Richmond 13, Virginia.

Dear Mr. Armistead:

In accordance with the request contained in your letter of June 8, 1960, the Board approves the designation of Richard H. Jones as a special assistant examiner for the Federal Reserve Bank of Richmond for the purpose of participating in the examination of State member banks except State-Planters Bank of Commerce and Trusts, Richmond, Virginia. The authorization heretofore given your Bank to designate Mr. Jones as a special assistant examiner is hereby canceled.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.