

Minutes for December 12, 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 Monday, December 12, 1960. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman 1/  
 Mr. Balderston, Vice Chairman  
 Mr. Szymczak  
 Mr. Mills  
 Mr. Robertson 2/  
 Mr. Shepardson  
 Mr. King 2/

Mr. Kenyon, Assistant Secretary  
 Mr. Fauver, Assistant to the Board  
 Mr. Noyes, Director, Division of Research  
 and Statistics  
 Mr. Connell, Controller  
 Mr. Dembitz, Associate Adviser, Division of  
 Research and Statistics

Messrs. Altmann, Goldstein, Kalachek, and  
 Pickering, and Miss Dingle, Division of  
 Research and Statistics, and Mr. Wood,  
 Division of International Finance

Economic review. Members of the Division of Research and  
 Statistics summarized domestic business and financial developments,  
 following which Mr. Wood presented material prepared by the staff of the  
 Division of International Finance relating to gold and dollar movements,  
 the balance of payments, and current economic developments in selected  
 foreign areas.

Mr. Wood, the representatives of the Division of Research and  
 Statistics, and Mr. Fauver then withdrew from the meeting.

Board's budget for 1961. The proposed budgets of all divisions  
 and offices of the Board for 1961 were presented in a master budget, copies  
 of which had been distributed to the members of the Board. The budget

1/ Withdrew from meeting at point indicated in minutes.  
2/ Entered meeting at point indicated in minutes.

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spelled out in detail division objectives for the year, together with the resources that would be required to carry out those objectives.

In addition, there had been distributed copies of a budget summary dated December 6, 1960. It was pointed out therein that the budgets of the respective divisions and offices had been reviewed by the Office of the Controller and that discussions had been held with officers of each division. The individual budgets, together with review memoranda, had then been submitted to Governor Shepardson for his consideration.

The total proposed budget for 1961 was \$6,768,826, compared with a budget for 1960 of \$7,035,618 and estimated expenses for 1960 of \$6,622,733. The personal services portion of the proposed 1961 budget amounted to \$5,222,683, or 77 per cent of the total, while the nonpersonal services portion amounted to \$1,546,143, or 23 per cent.

At the request of the Board, Mr. Connell reviewed the material in the budget summary, devoting attention particularly to comparisons of budget items with estimated 1960 expenses.

In the course of this review Chairman Martin was called from the meeting.

During the discussion that followed, Governor Shepardson indicated, in response to a question by Governor Mills, that the possibility of revised procedures for the collection of retail trade statistics was still so nebulous that the staff did not feel in a position to make any recommendation at this time for a budget provision. Conceivably, decisions would

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be reached during 1961 with respect to transferring some of this work to the Census Bureau on a reimbursable basis, but discussions had not proceeded to a point where there seemed to be a sufficient foundation for including any provision in the budget.

With respect to the matter of The Continental Bank and Trust Company, Salt Lake City, Utah, it was noted that \$5,000 had been included by the Legal Division in the budget for fees. Since the budget was assembled, however, the Board had authorized the General Counsel to ascertain the availability of Mr. Bolling R. Powell, Jr., as Special Counsel to the Board for further services in connection with the case on the same retainer basis as prevailed when Mr. Powell's services were last utilized on the matter. It had subsequently been ascertained that Mr. Powell's services were available for this purpose, but the extent to which such services might be needed could not be foreseen at this time.

No objection was indicated to the utilization of Mr. Powell's services to such extent as might be found necessary in connection with the Continental case on the retainer basis specified, it being understood that the provision included in the 1961 budget might prove to be insufficient.

In reply to a question by Governor Mills regarding the allocation of \$25,000 as a special project budget for the purpose of publishing a booklet relating to a review of System policy, Governor Shepardson explained that this was intended to cover a document that it was contemplated might be produced during 1961 under the direction of Mr. Molony,



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Assistant to the Board. Governor Shepardson said that this matter had been discussed with Chairman Martin, who had expressed the opinion that some provision for this purpose should be made in the budget.

At this point the Vice Chairman turned to the members of the Board for further comment or questions concerning the proposed budget, and Governor Mills stated that he had no further questions. He wished to express appreciation, however, for the work that had gone into the preparation of the budget, and he welcomed the controls that had been exercised over the long-term trend toward increased expenses.

In this connection Governor Shepardson commented that the Controller's Office had done a good job in reviewing each of the division budgets. That Office had made various suggestions and in most instances the divisions had agreed with the Controller's suggestions. In two or three cases the divisions concerned had talked also with him (Governor Shepardson) and it was possible to resolve the problems.

In reply to a question by Governor Balderston concerning a project of the Social Science Research Council which involved development of an econometric model of the economy designed to provide improved quantitative measurement in the field of economic growth, Governor Shepardson stated that further exploration of this matter by the staff revealed that the Council had obtained grants for this project from two foundations. No provision had been made in the budget for financial assistance to the Council on this project, and it now appeared that there

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would be no approach to the Board for financial participation, although some staff participation might be requested.

In reply to a further question by Governor Balderston, Governor Shepardson stated that the Controller had worked diligently with the respective divisions in reviewing positions which were provided for in the 1960 budget but had remained unfilled for varying periods throughout the year. Some appreciable progress had been made in eliminating from the 1961 budget positions that did not appear likely to be filled; in some cases the divisions had cut back their original budget estimates substantially on the basis of their experience in not being able to fill budgeted positions.

With reference to salaries, Governor Shepardson referred to the rather significant figure provided for salary increases during 1961 and discussed efforts that had been made to restrict annual progress increases to cases where progress on the part of the employee actually was indicated. He also spoke of efforts to keep reclassifications on a conservative basis, particularly in light of the general pay increase that became effective in 1960, and to assure that merit salary increase recommendations were justified.

Governor Shepardson then referred to memoranda that had been prepared by the staff suggesting the amounts that would need to be added to the 1961 budget to provide, as a special project, for producing several pamphlets updating certain sections of Banking and Monetary Statistics.

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He stated that the staff was in agreement with the proposal, discussed previously by the Board, to proceed on a section-by-section basis, beginning with those sections for which there was the greatest need. However, there remained unresolved within the staff the question whether the data covering section one should be revised to be consistent with data in the All-Bank Statistics volume. If it were decided to revise the data accordingly, section one would not be available for publication in revised form until 1962, although updated sections 10, 14, and 15 could be printed. Also, a revision of the data in section one would require an additional provision for salary in the Division of Bank Operations to the extent of an estimated \$3,500.

Governor Shepardson then summarized the staff views on both sides of the question and the reasons therefor. During this part of the discussion Mr. Noyes was called into the room and supplemented Governor Shepardson's comments.

Governor Mills indicated that he would favor the view within the staff that the paramount consideration was to get something out promptly, even though the data might not be completely consistent with other data that had been or would be published. As he understood it, this method would furnish enough to the general public to provide trend information. In the case of banking statistics, he found it difficult to place the same importance on complete accuracy as in the case of certain other statistics. If the data provided consistency as to flow

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and trend, that seemed to him sufficient for all except the very exacting student.

During this discussion Governors Robertson and King joined the meeting, and they were advised of the question that had been raised and the views expressed.

All of the members of the Board then expressed agreement with the procedure suggested by the comments of Governor Mills, in which Governor Shepardson had concurred. Accordingly, it was agreed, upon Governor Shepardson's recommendation, to include in the 1961 budget as a special project, for which provision had not previously been made, the amount of \$10,100 for printing updated sections 1, 10, 14, and 15 of Banking and Monetary Statistics on a basis whereby the data in section 1 would not be revised for consistency with data in the All-Bank Statistics volume.

Governor Robertson stated that he had gone over the proposed Board budget, and Governor King stated that he was familiar with it.

Thereupon, unanimous approval was given to a 1961 Board budget of \$6,778,926, this figure being inclusive of the \$10,100 provided for the aforementioned special project.

Messrs. Kenyon and Connell then withdrew and the Board went into executive session.

Actions relating to Board's staff. The Secretary was advised later by Governor Shepardson that during the executive session the Board took the following actions:



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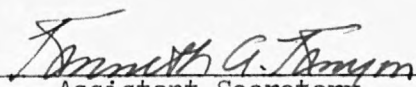
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1. Appointed Samuel I. Katz, Chief of the British Commonwealth, Scandinavia, and Near East Section of the Division of International Finance, as Associate Adviser, Division of International Finance, effective January 1, 1961, with annual salary at the rate of \$15,500 (an increase from \$14,705).
2. Appointed J. Herbert Furth, A. B. Hersey, and Robert L. Sammons, Associate Advisers in the Division of International Finance, as Advisers in that Division, with annual salary in each instance at the rate of \$17,000 (an increase from \$16,400), effective January 1, 1961.
3. Approved increases as indicated in the salaries of the following members of the Board's official staff, effective January 1, 1961:

<u>Name and title</u>	<u>Basic annual salary</u>	
	<u>From</u>	<u>To</u>
Clarke L. Fauver, Assistant to the Board	\$15,050	\$15,500
Kenneth A. Kenyon, Assistant Secretary	15,050	15,750
Thomas J. O'Connell, Assistant General Counsel	15,600	16,000
Daniel H. Brill, Associate Adviser, Division of Research and Statistics	15,600	16,000
James C. Smith, Assistant Director, Division of Examinations	15,300	15,750
Lloyd M. Schaeffer, Chief Federal Reserve Examiner, Division of Examinations	14,000	14,500
John N. Kiley, Assistant Director, Division of Bank Operations	12,900	13,500
Harry E. Kern, Assistant Director, Division of Administrative Services	10,200	10,750
J. J. Connell, Controller	15,600	16,000

In this connection, the Board approved an additional provision of \$7,045 in its budget for 1961 to cover the salary increases, making a total budget of \$6,785,971. A copy of the approved budget is attached to these minutes as Item No. 1.

The meeting then adjourned.

  
Assistant Secretary

Item No. 1  
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## 1961 Budget

## Summary by Account Classifications

Schedule B  
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Classification of Expenses	Positions Provided		A m o u n t			
	1960 Budget	1961 Budget	1960		1961 Budget	Over (Under) 1960 Expenses
			Budget	Expenses (Estimated)		
<b>PERSONAL SERVICES</b>						
Salaries:						
Offices of Members of the Board	31	32	\$ 345,741	\$ 354,852	\$ 364,343	\$ 9,491
Office of the Secretary	44	44	256,876	249,084	271,792	22,708
Legal Division	25	25	200,776	168,483	202,713	34,230
Office of the Controller	14	14	98,849	99,717	104,653	4,936
Division of Research and Statistics	166	168	1,200,622	1,143,906	1,245,571	101,665
Division of International Finance	40	41	339,205	336,694	373,853	37,159
Division of Examinations	79	81	690,062	674,354	703,932	29,578
Division of Bank Operations	51	51	340,887	342,872	360,663	17,791
1/ Division of Personnel Administration	30	30	164,931	155,550	158,481	2,931
2/ Division of Administrative Services	151	152	636,373	625,483	660,493	35,010
Office of Defense Planning	3	3	36,593	37,257	39,405	2,148
Total - Positions and Salaries	634 <sup>3/</sup>	641 <sup>3/</sup>	\$4,310,915	\$4,188,252	\$4,485,899	\$297,647
Fees			\$ --	\$ --	\$ 75,024	\$ 75,024
Retirement Contributions			656,153	553,426	621,909	68,483
Employee Insurance			47,553	46,329	46,896	567
Total Personal Services			\$5,014,621	\$4,788,007	\$5,229,728	\$441,721

- 1/ Including 10 stenographic recruit positions.  
 2/ Excluding Cafeteria Salaries.  
 3/ Part-time positions counted as one each.

Classification of Expenses	1960		1961 Budget	Over (Under) 1960 Expenses
	Budget	Expenses (Estimated)		
<b>NONPERSONAL SERVICES</b>				
Traveling Expenses	\$ 320,610	\$ 296,076	\$ 343,713	\$ 47,637
Postage and Expressage	77,252	75,788	75,798	10
Telephone and Telegraph	92,150	94,474	98,124	3,650
Printing and Binding	332,743	287,954	295,937	7,983
Stationery and Supplies	49,945	48,359	49,149	790
Furniture and Equipment	52,270	50,430	48,585	(1,845)
Rentals	146,908	148,993	175,307	26,314
Books and Subscriptions	19,900	19,663	20,050	387
Heat, Light and Power	55,325	56,020	57,060	1,040
Repairs and Alterations (Building and Grounds)	137,339	134,011	21,590	(112,421)
Repairs and Maintenance (Furniture and Equipment)	15,524	15,359	13,807	(1,552)
Insurance	4,457	4,162	6,614	2,452
Contractual Professional Services	613,950	507,290	254,100	(253,190)
Auditing Books of Board	3,500	3,000	2,500	(500)
Review of Examinations Procedures	9,000	13,401	12,000	(1,401)
Consumer Finances Surveys	105,000	68,000	70,000	2,000
Consumer Buying Intentions Survey	155,000	135,028	135,000	(28)
Small Business Financing Study	240,000	214,162	--	(214,162)
Legal and Consultant Fees and Expenses	77,955	55,195	11,375	(43,820)
Security Clearance Investigations	22,500	17,719	21,000	3,281
Translating, Transcripts and Reporting Service	995	785	2,225	1,440
All Other	102,624	96,147	96,409	262
Cafeteria (net)	54,300	55,884	55,000	(884)
Official Dinners, Receptions, etc.	2,860	2,373	4,075	1,702
Meals for Official Guests	3,000	3,095	3,000	(95)
Outside Statistical Work	26,000	18,844	15,300	(3,514)
Training Program - Tuition and Registration	7,400	6,796	10,180	3,384
Miscellaneous	9,064	9,155	8,854	(301)
Total Nonpersonal Services	\$2,020,997	\$1,834,726	\$1,556,243	\$(278,483)
Total Personal Services	5,014,621	4,788,007	5,229,728	441,721
Grand Total	\$7,035,618	\$6,622,733	6,785,971	163,238