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Rev. 10/59

Minutes for January 24, 1961

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 Tuesday, January 24, 1961. The Board met in the Board Room at 9:20 a.m.

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

Mr. Sherman, Secretary
Mr. Johnson, Director, Division of Personnel Administration

Messrs. Hayes and Treiber, President and First Vice President, Federal Reserve Bank of New York

Officer salaries at New York Reserve Bank (Items 1, 2, and 3). Chairman Martin stated that this meeting was being held for the purpose of having Messrs. Hayes and Treiber meet with the Board to discuss the question of officer salary proposals for the Federal Reserve Bank of New York for the calendar year 1961, the revised proposal for salary ranges for officers of that Bank, and any other questions that might have arisen in connection with the administration of the plan for officer salaries of the Federal Reserve Banks. He then called on Mr. Hayes to express any views that he had.

Mr. Hayes proceeded to make a statement substantially as follows:

First, I should like to review the facts. On November 3, 1960, the directors of the New York Bank fixed the officer salaries for the calendar year 1961. They also approved a revised scale of ranges for the various groups of officers. These were submitted to the Board at the usual time. Subsequently, three of the directors of the Bank met with the Board to discuss this subject on December 2, 1960, and according to what they told us there was some indication that the Board was bothered about the $40,000 maximum that had been provided in the revised scale of ranges for officer salaries for the top group, that is, for officer salary Group A. They did not give any indication that the Board would disapprove the proposed salaries for individual officers or that they thought there were too many increases included among the proposals that had been submitted to the Board, nor did they give any impression that there were any specific requests from the Board to go on through them to us to submit a new schedule. This drifted on through December and, so far as I know, there was no official communication to the Bank regarding the Board's views on this subject. Not having heard from the Board, I began to wonder about the matter and called Governor Shepardson on December 28 at which time I learned from him that the Board would not approve the new salary range schedule with the $40,000 maximum for the top group and that it wanted a new schedule. That was on December 28 and it was a little disturbing since we would ordinarily then have been ready to go ahead with our adjustments at the year end. Chairman Reed had discussed this with Chairman Martin. After my call to Governor Shepardson, the suggestion was made that either I or Mr. Treiber should meet with Governor Balderston to try to straighten out the questions. Mr. Treiber met with Governor Balderston on January 10, and I understand there was some discussion as to just what the Board thought was wrong with the proposals that had been made by the directors of the New York Bank: that is, the size of the increases and the number of increases that were being proposed. The question was somewhat up in the air and it was agreed to have a meeting with the Board, and this meeting was arranged for today.

On the issue of salary ranges, the directors were very disappointed that the Board would not approve the new proposal. They felt quite strongly about this increase in ranges, particularly for the officers in Group A. In the light of our very severe competition from commercial banks among our senior officer grade, they disagree with the action of the Board and think it has quite unfavorable implications for our management of the Bank in the future. But at the same time we recognize that it is the Board's statutory responsibility. Because of this, on January 5 the directors voted to adopt a new salary range schedule with $35,000 as the maximum for Group A, the same as the existing maximum, but with the maximums of some other groups adjusted and also the minimum ranges adjusted to bring about a more satisfactory relation with the salaries paid in the top group of the non-official staff. This was the proposal that Mr. Treiber handed to Governor Balderston when he met with him on January 10. We have not heard anything regarding that revised range proposal.

Now as to individual increases, our salaries for officers have long been geared to the rate fixed for the First Vice President and to the top salaries paid for the non-officer staff of the Bank. For this non-officer group, our policy is to pay as nearly as we can in line with what is paid by the better employers in the community. In order to attain that this year, we had to have a little more than 5-1/2 per cent increase in the average employee salary. That meant that with most of the officers in the lowest salary group performing well, and with most of their top grade employees getting salaries close to those for the officers, it was very hard not to give increases to most of the officers in the lowest grade. The November proposal would have increased the officers' pay roll about 5-1/2 per cent, a little less than the average increase in salaries for employees other than officers.

The point that I would like to stress above all is that, except for one salary, the amounts proposed for the officers are well within the approved ranges that are already in existence at the Bank. Since they are well within the old ranges, they are even more within the ranges proposed in our November 10 letter, and of course within the revised range structure submitted with Mr. Treiber's letter of January 9. We often talk about the compa ratio in salary administration. On the basis of the revised ranges submitted in our letter of January 9, the November 10 salary proposals would leave the compa ratio at 100 in the lowest salary group and below 100 in the other groups. Taking that as a frame of reference, and if the whole idea of setting a range means anything, we at the New York Bank are performing in a reasonable way. Proposed individual increases do not result in any distortion of the average salary within the ranges. We had thought that the whole idea of the salary administration plan set up in 1953 was for the Board of Governors to be able to get rid of some of this responsibility for weighing of individuals. I really should think personally that it would be very difficult for the Board here in Washington to do that; I find it hard enough to do it myself. I should think it a great deal harder for you here to judge the individual officers. I should think that you would want to give the maximum amount of leeway to management as long as they were not pushing everybody up into the front half of the salary ranges.

At this late date, it is very difficult for us to devise a new schedule of individual increases. Here we get into an issue that is crucial. I do not know how the Board feels about it, but my understanding is that when you discussed this with three of our directors on December 2 there was some discussion as to whether we had too many increases in relation to the number of officers, and there was some discussion as to whether there should not be fewer increases and larger increases. On that point, the view was expressed that it might be better to give an individual a big increase and then to have him wait for two or three years for another increase. That is one way of doing it. The reason that we have shied away from it--although some of the directors feel that that would be a good procedure--is that we really thought there was a reluctance to see very large increases for individual officers. That seemed to come out also in Mr. Treiber's discussion with Governor Balderston on January 10.

This puts us in a dilemma. If you are neither able to give a sizable percentage of the officers increases of moderate amounts nor to give fewer but bigger increases, I just don't know how to solve the problem. I presume you are just as interested as Mr. Treiber and I are in seeing that we keep the best people that we have throughout the System including the New York Bank. The whole philosophy of this is that we have to go a reasonable distance in meeting the community competition. We obviously don't go very far in meeting it at the senior end, but on the lower end with junior managers it has been the practice to try to pay as good salaries as do the commercial banks. In the Board's Annual Report for 1918 the

Board said on pages 29 and 30 that the Board had recognized from the outset that the compensation paid junior officers, heads of divisions, and clerks must be in line with that paid by the larger member banks, and that sufficient inducements should be offered by the Federal Reserve Banks to make service with them attractive as a career. As far as I know that is still the Board's view. If that is the case, you have to keep the junior officers pretty much in line with the commercial banks and also with the top employees in the Reserve Banks. In a year like this where you have a 5-1/2 per cent increase in the average rate for the non-officer employees, I just don't see how you avoid a large percentage of increase in individual officer salaries. That is about all I have to say unless Mr. Treiber has something to add.

Mr. Treiber stated that he had nothing to add to what Mr. Hayes presented and he would only comment that the problem for discussion involved both the ranges that the New York Bank was proposing for officer salaries as submitted in the letter that he had left with Governor Balderston dated January 9, 1961, and also the problem of salaries for individual officers as presented to the Board in a letter from Mr. Hayes dated November 10, 1960.

Chairman Martin then called upon Governor Balderston, who made a statement substantially as follows:

Mr. Treiber and I had a very realistic discussion of this whole question on January 10. I told him at that time that I thought an improvement had been made in the salary range schedule that he brought with him as set out in their letter of January 9, that is the revised proposal as compared with the ranges submitted in their letter of November 10. I thought, therefore, that we might devote most of our discussion to the implementation of the officer salary ranges and the salary administration plan.

As far as the schedule of individual increases is concerned, I said that it is still high. I could vote for the revised ranges if I thought that the New York Bank was going to implement this new schedule in accordance with the Board's ideas as to administration of salaries of officers at the Federal Reserve Banks. I made it clear that I was speaking for myself: although some of those ideas no doubt would represent the feelings of other members of the Board, each Board member, of course, could speak for himself.

I expressed to Mr. Treiber the view that, in addition to its responsibility for general supervision of the Federal Reserve Banks, the Board has the specific responsibility to approve or disapprove salaries proposed for officers. This responsibility is one that the Board cannot divest itself of. However, in 1953 the Board decentralized this function without abdicating its final responsibility and authority. It did this by the device of salary schedules that give concrete expression to the salary "level" that the Board approves for the officers of each Reserve Bank. But, the Board retained the power to give approval to the application of these salary schedules to individual officers. In the main, this approval has to do with the dispersion of actual salaries within the approved ranges and also with the number and amount of increases at any one time. The compa ratio is merely a crude device for detecting misapplication of schedules. In addition, salaries at any Reserve Bank that may either lag behind the procession or lead it excessively give reason for the Board as the coordinating agency of the System to call this situation to the attention of the Reserve Bank concerned.

In recent years, this Board has felt that the New York Bank's salaries were leading by more than could be justified. Using the New York official salary level as 100, the other Reserve Bank levels are reflected by percentages such as these: Boston 79 per cent; Philadelphia 77 per cent; Cleveland 78 per cent; Richmond 78 per cent; Atlanta 67 per cent; Chicago 77 per cent; St. Louis 78 per cent; Minneapolis 76 per cent; Kansas City 73 per cent; Dallas 71 per cent; San Francisco 77 per cent. This year, I told Mr. Treiber, the New York Bank submitted increases for 80 per cent of its officers as compared with 58 or 59 per cent for all 12 Banks. The average percentage increase proposed by the Reserve Banks was 4.7 per cent, while that of New York was 5.5 per cent. Since this percentage applies to larger amounts, the proposed increases at New York are also larger in the absolute, and they distort still further the differential between New York and the rest of the System. Of the 62 recommended increases above $1,000 in the whole System, 19 are in New York.

The Board is aware that last year's rise of 6 per cent in the non-officer salaries at New York creates in the official family an expectation of raises for them also. This expectation might lead to disappointment unless the problem facing the System as a result of salary actions over several years is explained carefully.

It would not be my thought that New York should make no increases this year but that they should be reduced both in number and in amount. In summary, I feel that improvement has been made in the revised salary range schedule proposed for approval by the Board. I still have concern about the differential between the New York level and the rest of the System and about the Board's responsibility to maintain a reasonable consistency throughout the System.

Mr. Hayes stated that he would like to make an observation. He had assumed that the reason the New York salaries had been higher than the rest of the System from the beginning was that the New York Bank was located in the financial center of the country, which generally has a higher executive salary level than elsewhere, and in addition the New York Reserve Bank has certain specialized responsibilities that other Reserve Banks do not have. For example, it has certain operations in connection with the open market function and with foreign activities. As far as comparisons with commercial banks were concerned, Mr. Hayes said that he did not have a survey of the commercial banks in other districts but that it would be helpful to have such a comparison if it were available.

Governor Balderston said that he would also like to comment on the commercial bank salaries. He would grant the point that the New York Reserve Bank had some special responsibilities in connection with open market operations and foreign operations. However, the level of commercial bank salaries in New York was not so different as might be assumed. He had looked up the figures for salaries paid to vice presidents at commercial banks in New York and found that, taking 100 as the level paid to a sample in New York, the relative levels paid to vice presidents of commercial banks in other cities would be about as follows: in Chicago, similar officers would receive salaries about 95 per cent of the New York level; in San Francisco, about 92 per cent of the New York level; in St. Louis and Minneapolis about 80 per cent; in Richmond 79 per cent, and so on. These represented the salaries paid in senior positions.

After Mr. Hayes commented that he did not know how Governor Balderston's sample was arrived at, there was a discussion of how a sample might be taken to give an accurate indication of the relative salaries paid to officers carrying comparable responsibilities at commercial banks and those at Federal Reserve Banks in various cities of the country.

During this discussion Mr. Hayes made the statement that, apart from the actual salaries paid, officers of commercial banks shared in profit-sharing plans and in retirement system benefits that were entirely different from those provided for officers of Federal Reserve Banks. He thought possibly these represented benefits as much as 25 per cent above the salary level paid to commercial bank officers.

At this point, Chairman Martin stated that at the meeting that the Board had with Messrs. Reed, Hill, and Alexander of the Board of Directors of the Federal Reserve Bank of New York on December 2, the suggestion was made that perhaps salary increases for a number of persons proposed in the New York Bank's letter of November 10 might be eliminated but that there might be larger increases for some. He noted that Governor Balderston had not been able to attend that meeting, but he wondered whether there had been any discussion of a procedure along this line either at Governor Balderston's meeting with Mr. Treiber on January 10 or among the officers and directors of the New York Bank.

Mr. Treiber said that this suggestion was considered but, in talking with Governor Balderston on January 10, the latter had indicated that he thought the New York Bank should cut down both on the number of increases and on the amounts of the increases. Mr. Treiber said that this would be directly contrary to the views of the directors of the Federal Reserve Bank of New York. The latter were clearly of the view that if a decrease was made in the number of officers receiving increases, there should be an increase in the amounts of those increases. In other words, if a man were passed up for a 2-year period, the amount of increase to be given should be larger so that over time the man would move along to about the same level. This, he felt, was a matter of local judgment. It was Mr. Treiber's view that the directors of the New York Bank would be quite disturbed if they were called upon to reduce both the number and the amounts of individual increases proposed for the calendar year 1961. As for the fact that New York had more increases over $1,000 than other Reserve Banks, Mr. Treiber felt that this followed automatically since the New York Bank dollar range was higher. Therefore, he wondered whether a percentage figure would not be more significant than a dollar comparison. Mr. Treiber also said that there had been discussion of cutting out some of those who had been listed for increases in the November 10 letter but that in view of the failure to crystallize an understanding with Governor Balderston on January 10, it had been concluded that there should be a further exchange of views with the Board before any action was taken toward changing the recommendations submitted earlier.

Chairman Martin said that he thought that Messrs. Hayes and Treiber could see the problem that confronted the Board. The Board members also were aware of the problem that confronted the directors and officers of the Reserve Bank. It was clear that there was not a meeting of the minds between the Board of Governors and the New York Bank on how the officer salary plan should be administered.

Mr. Hayes said that he felt the Board in a sense was not sticking with its decision in 1953 and the principles involved in the salary plan for officers of the Reserve Banks. It was his understanding that when the Board approved the ranges for officers' salaries in 1953, there was recognition of the salary differential between New York and other Reserve Banks. Yet it seemed to him that there was an undercurrent of dissatisfaction among the Board members with the differential that existed between New York and the other Reserve Banks. Assuming that the Board was going to stay with the plan that it had set up and approved, he did not think it was fair to let a feeling that New York salaries might be too high interfere with the plan that had been put into effect, unless the Board wanted to change the plan. This, of course, was a privilege of the Board. Otherwise, he felt it extremely difficult for the New York Bank to operate under the plan.

Governor King said that he did not think that any Reserve Bank would be faced with a great hardship if it were expected to operate within a plan which allowed as many as 50 per cent of the officers to have an increase in salaries in a one-year period. There was recognition that the higher officers in a Federal Reserve Bank would draw some of their compensation from knowing that they were performing a public service. He did not think that the handling of this problem could be reduced to precise percentage terms, but in general, if 50 per cent of the officers could receive an increase in salary in a year, he felt there would be ample headroom for carrying on the management of the Bank satisfactorily. This would be the case in any business with which he had been familiar. He could not understand why a Reserve Bank could not operate within such a range, and he noted that for the System as a whole somewhat less than 60 per cent of the officers were proposed for increases this year. Speaking generally, Governor King said that it was easy to be free with money when an organization did not have to account to shareholders for profit. He felt that one of the big problems in the American economy today was the tendency for many persons to feel that an increase in the rate of salary should come each year, and in his opinion the Federal Reserve was not setting a good example for the country if it felt that it must raise two-thirds of the officers in salary each year.

Mr. Hayes inquired of Governor King whether he would be averse to seeing raises at less frequent intervals but in fairly substantial amounts, to which Governor King responded that he would not object to this procedure. As an example, if a man received an increase at a two- or three- or four-year interval, the increase might be as much as 10 or perhaps 12 per cent. He repeated, however, that this was not a matter that could or should be reduced to a precise percentage or a precise figure, and it also would depend upon the particular salary bracket within which the man fell.

Mr. Hayes commented that he would be delighted with a policy that called for less frequent increases but substantial increases when given. This, however, did not seem to be in line with the views that Governor Balderston had expressed to Mr. Treiber on January 10.

Chairman Martin noted at this point that it was time for the meeting of the Federal Open Market Committee to convene. He stated that he did not think the discussion had made much progress thus far and suggested that the Board reconvene with Messrs. Hayes and Treiber following luncheon.

The meeting then recessed and reconvened at 12:40 p.m. with the same attendance as at the close of the morning session except that Messrs. Hayes, Treiber, and Johnson were not present.

Chairman Martin stated that he had asked the Board to meet at this time because he did not feel that much progress had been made in the discussion with Messrs. Hayes and Treiber this morning. However, under all the circumstances a decision should be reached in connection with the way in which officer salaries at the Federal Reserve Bank of New York for the calendar year 1961 should be handled. There was obviously a cleavage between the thinking of the Board of Directors and officers of that Bank and the views of the Board of Governors on the whole question. He felt that the Board would have to work further with Messrs. Hayes and Treiber on this question in attempting to bring about a better understanding, but it would be desirable in view of the morale and other problems to give them some definite ideas of what they should do when they returned to New York today. One way of handling the immediate problem would be to tell Messrs. Hayes and Treiber that the Board would approve the revised salary ranges as proposed in Mr. Treiber's letter of January 9, 1961 and would be prepared to approve a revised list of salaries for individual officers within these ranges, provided the total increase did not exceed the figure of 4-1/2 per cent, which was the percentage of increase for officers in the System as a whole at the beginning of 1961.

There followed a general discussion of this proposal and of several other suggestions by individual members of the Board regarding the procedure that should be followed. Views expressed during the discussion included the following:

(1) Prompt disposition should be made of the question of officer salaries at the Federal Reserve Bank of New York for calendar year 1961, but whatever decision was arrived at should be with the understanding that steps should be taken that would avoid a repetition of the situation that had developed this year.

(2) As previously understood, the Board was not prepared at this time to consider a change in the salary levels for the President and the First Vice President of the Federal Reserve Bank of New York, now $60,000 per annum for Mr. Hayes and $35,000 per annum for Mr. Treiber.

(3) Approval of the revised salary ranges for officers below the level of the President and First Vice President with a retention of the existing maximum of $35,000 for those in Group A would not create any difficulties for the Board that would not exist under the present salary

structure and it would bring the various officer groups into better alignment than now existed in relation to the top salary levels for employees other than officers.

(4) Freedom for the New York Bank to apply the revised officer salary ranges, including application of the maximum for Group A of $35,000 (the same salary as that for the First Vice President), might bring pressure for change in the salary of the First Vice President. However, such salary maximum was provided under the existing range, and perhaps the Board should not object to permitting the application of this figure if the New York Bank so desired. On this point, the view also was expressed that a differential should be maintained between the salary of the First Vice President and other Vice Presidents of the Bank.

(5) To request the New York Bank to adjust the total of its officer salary increases for 1961 to a percentage figure derived from averaging salary proposals for all twelve Federal Reserve Banks was not desirable since this device would not offer a scientific or satisfactory means for determining the amount of increase that should be permitted to any one Federal Reserve Bank in any given year.

(6) Under all the circumstances, it would not be desirable to request the New York Bank to submit a new list of salaries for individual officers covering 1961, but this should not be construed as indicating that the Board accepted the approach taken by the New York Bank in fixing

individual officer salaries as reported in Mr. Hayes' letter of November 10, 1960, and this view should be communicated to the Bank in writing.

(7) The Board should indicate that it concurred in the approach taken by Governor Balderston in his discussion of the salary administration plan with Mr. Treiber on January 10, as reported at the morning session of today's meeting.

At the conclusion of the discussion, Chairman Martin suggested that the Board reconvene after lunch with Messrs. Hayes and Treiber present, at which time the Board would indicate that it would approve the revised salary ranges for officers submitted with Mr. Treiber's letter of January 9 and that it also would approve the payment of salaries to the officers of the Federal Reserve Bank of New York other than those of the President and First Vice President at the rates stated in a letter from Mr. Hayes dated November 10, 1960. However, in taking this action, the Board would state that it did not believe there had been a meeting of the minds between the directors and officers of the New York Bank and the Board of Governors on the way in which the plan for officer salaries adopted by the Board in 1953 should be administered, and it would request that there be a preliminary discussion by Messrs. Hayes and Treiber with the Board of detailed proposals for officer salaries for calendar 1962 early in the fall of 1961, prior to the presentation of proposals by Messrs. Hayes and Treiber to the directors of the Bank for their approval.

There was unanimous agreement with Chairman Martin's suggestion.

The meeting then recessed and reconvened at 2:20 p.m. with the same attendance as at the session held at 9:20 a.m. this day.

Chairman Martin stated that the Board regretted the way the proposals for officer salaries at the Federal Reserve Bank of New York for 1961 had developed this year and that it was clear there had not been a satisfactory understanding between the New York Bank and the Board on the whole problem, including the way the 1953 plan for officer salaries should be administered. Looked at from the standpoint of the morale of the officers of the New York Bank, however, and in the light of the delay that had occurred in handling the problem since the meeting with Directors Reed, Hill, and Alexander on December 2, 1960, the Board was prepared to approve the payment of salaries at the rates set forth in Mr. Hayes' letter of November 10, 1960, which excluded salaries for the President and the First Vice President, and it also would approve the revised salary ranges submitted for officers with Mr. Treiber's letter of January 9, 1961, all with the understanding that well in advance of the formal submission of specific salary proposals for officers for calendar year 1962 the New York Bank would take up with the Board the subject of officer salaries for that year and discuss in detail what proposals were to be submitted to the directors of the Bank.

Mr. Hayes stated that he understood the Chairman to be saying that the Board was prepared to approve the revised ranges submitted with

Mr. Treiber's letter of January 9 and also the proposed salaries for individual officers other than the President and the First Vice President, as submitted in his (Mr. Hayes') letter of November 10, 1960.

Chairman Martin responded in the affirmative, adding that the Board was doing this, under all the circumstances, because the matter was more or less out of its hands for the current year, not because it believed the proposed changes in salaries represented the best administration of the salary plan for officers. Also, because it would be understood that, as the time for considering changes in salaries approached for the next year, Mr. Hayes would arrange to come to the Board and discuss in detail what he had in mind for proposing in the way of salary changes for officers for 1962. It was the hope of the Board, the Chairman said, that this would result in some meeting of the minds on salary administration for the Bank.

Mr. Hayes then said that needless to say he appreciated the whole spirit of the approach by the Board to this problem. However, he regretted that the Board felt as reluctant as it apparently did in giving its approval to the salaries of individual officers. He would feel better if the Bank could delete from the list of proposed increases a name here and there, if that would make the Board feel that the resulting list was a reasonable one. He did not know whether that procedure would be practicable, however, and he asked Mr. Treiber for his comments.

Mr. Treiber said that Chairman Martin's statement of what the Board was prepared to do offered a workable arrangement and that he would prefer to go along that line. He said that he understood this to mean that, instead of talking with the Board at the budget discussions in August or September of 1961 in general terms regarding officer salaries, this would call for a discussion at that time in terms of a schedule of names and specific proposals.

Chairman Martin and Governor Balderston stated that this was correct, and Mr. Treiber said that this seemed to him to be an appropriate move. Governor Balderston also said that, to make certain that the approach was clear, the Chairman's remarks were making a distinction between the revised schedule of salary ranges submitted in Mr. Treiber's letter of January 9, to which the Board did not take exception, and the list of individual increases that had been submitted in Mr. Hayes' letter of November 10.

Governor Shepardson commented that this did not mean that the Board wished to get into the position of evaluating individual officers and what would be appropriate in the way of salary increases for them, but the Board wished to look at the total number, range, and amounts of increases. So far as he was concerned--and he felt this was true for the Board as a whole--he did not believe that the Board would wish to pass on what kind of salary adjustment was appropriate for each individual officer in the Federal Reserve Banks.

Governor Robertson said that in his opinion any proposal to increase in one year as much as 80 per cent of the officer force at a Federal Reserve Bank was much too high, and other members of the Board indicated a similar view.

Mr. Hayes said that he would not say that this was wrong, that it was probably right. He was puzzled, however, as to the way to reconcile that approach with a situation where, at the junior officer level, salaries impinged on the level for the non-officer staff. After Governor Shepardson had suggested that at some point it was necessary for management to show some resistance to upward pressures on the general level of salary costs, Mr. Hayes said that he agreed with this comment as well as the comment Governor King had made at the 9:20 session to the effect that an organization should be able to operate satisfactorily without annual salary adjustments for more than half of its officer staff. To this, Governor King responded that under circumstances existing today he felt that yearly increases for 40 per cent of the officer staff or even less should be sufficient to enable an organization to operate satisfactorily.

Mr. Hayes then said that he wished to be sure he understood what the Board was prepared to approve as to individual officer salaries for calendar 1961 at the New York Bank. It was his understanding that the Board was saying that it would approve the list submitted with his letter of November 10, 1960, excluding of course the President and the First

Vice President concerning which a separate letter from Chairman Reed had been sent to the Board on November 7, 1960.

Governor Mills noted that Mr. Treiber's letter dated January 9, 1961, submitting a few additional salary changes for new officers or changes in titles for others had circulated to the Board and that these would have to be fitted in with the changes covered by the November 10 letter.

Mr. Treiber commented that, in addition to the list submitted with Mr. Hayes' letter of November 10, seven promotions or changes in title to which Governor Mills had referred had been made by the directors of the New York Bank at their meeting on January 5 and submitted for Board approval in a letter of January 9. His understanding of Chairman Martin's statement was that the Board was prepared to respond to the letter of November 10, 1960, approving payment of the salaries therein presented, that it would respond separately to that portion of his letter of January 9, 1961, covering the few individuals Governor Mills had referred to, and that the Board would also respond separately on the revised salary ranges for officers submitted in the letter dated January 9, 1961.

Chairman Martin stated that this was correct, adding that it was important that the New York Bank receive these letters from the Board before it took further action regarding the changes under discussion.

Governor Balderston said that it was also important that it be understood that, in the early fall of 1961, specific salary proposals for officers of the New York Bank be taken up with the Board--a step that he felt should be taken before Messrs. Hayes and Treiber discussed with the directors of the New York Bank what they had in mind to propose in the way of salary changes for 1962.

Governor Robertson stated that he would like the record to show while Messrs. Hayes and Treiber were present that he concurred fully in the position that Governor Balderston had stated earlier today regarding administration of the officer salary plan for Federal Reserve Banks.

Chairman Martin said that the entire Board was in agreement with the position stated by Governor Balderston and that it would not be correct to assume that, in approving under all the circumstances the payment of salaries for calendar 1961 at the rates set forth in Mr. Hayes' letter of November 10, the Board was departing in any way from the approach that Governor Balderston was trying to convey in his remarks.

In response to a question from Mr. Hayes as to whether the Board's approval of payment of individual salaries would include that for Mr. Rouse, which would place his salary at the same rate as that for the First Vice President, Chairman Martin answered that the only exception that the Board was making was to the salaries proposed for the President and the First Vice President in Chairman Reed's letter of November 7, 1960.

Secretary's Note: Later in the day, pursuant to the understanding stated at this meeting, letters were sent to the Federal Reserve Bank of New York in the form of attached Items 1 and 2 giving approval to (a) a revised range of salaries for officers as set forth in Mr. Treiber's letter of January 9, 1961; and (b) payment of salaries to certain individuals at the rates set forth in Mr. Treiber's letter of January 9, 1961. Subsequently, under date of January 27, 1961, a letter in the form of attached Item No. 3 was sent to Mr. Hayes giving approval to the payment of salaries for calendar 1961 to officers of the Federal Reserve Bank of New York as set forth in a list enclosed with that letter.

The meeting then adjourned.

Secretary's Note: Governor Shepardson today approved on behalf of the Board the following items:

Memorandum dated January 6, 1961, from Mr. Koch, Adviser, Division of Research and Statistics, recommending the appointment of Louis Zeller as Digital Computer Programmer in that Division, with basic annual salary at the rate of $4,345, effective the date of entrance upon duty.

Memorandum dated January 19, 1961, from Mr. Koch, Adviser, Division of Research and Statistics, requesting authorization for that Division to participate in the 1961 Consumer Survey Program of the Survey Research Center, University of Michigan, with the understanding that the proposed participation involved a subscription of $1,000 to the Survey Research Center and that the cost would be charged against the Contractual Professional Services Account of the Division's regular budget.

Secretary

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

Item No. 1
1/24/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 24, 1961

CONFIDENTIAL (FR)

Mr. William F. Treiber,
First Vice President,
Federal Reserve Bank of New York,
New York 45, New York.

Dear Mr. Treiber:

The Board of Governors has approved, effective immediately, the ranges for the officers' salary structure at the Federal Reserve Bank of New York, proposed in your letter of January 9, 1961, as follows:

Group	Minimum	Maximum
A	$24,000	$35,000
B	21,000	30,000
C	18,000	25,000
D	15,500	21,000
E	13,500	18,000
F	12,000	16,000

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 2
1/24/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 24, 1961

CONFIDENTIAL (FR)

Mr. William F. Treiber,
First Vice President,
Federal Reserve Bank of New York,
New York 45, New York.

Dear Mr. Treiber:

The Board of Governors approves the payment of salaries to the officers of the Federal Reserve Bank of New York named below for the period January 5 through December 31, 1961, at the rates indicated, which are the rates fixed by your Board of Directors as reported in your letter of January 9:

Name	Title	Annual Salary
John P. Jensen	Assistant Vice President	$18,000
Robert G. Link	Assistant Vice President	16,750
Frank W. Schiff	Manager	15,000
Harold W. Lewis	Manager	14,000
Robert J. Crowley	Assistant Counsel	12,500
	Buffalo Branch	
John T. Keane	Assistant Cashier	11,250

The Board also approves the payment of salary to Mr. Peter Fousek as Senior Economist at the rate of $15,000 per annum for the period January 21 through December 31, 1961.

The Board has noted the change in assignments of Messrs. N. P. Davis, Quackenbush, Waage, Bergin, Niles, Post, and Small referred to in your letter.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 3
1/24/61

OFFICE OF THE VICE CHAIRMAN

January 27, 1961

Mr. Alfred Hayes, President,
Federal Reserve Bank of New York,
New York 45, New York.

Dear Al:

When you and Mr. Treiber met with the Board Tuesday afternoon, the Board indicated it would approve the payment of salaries to the officers of the Federal Reserve Bank of New York, other than the President and First Vice President, at the rates stated in your letter of November 10, 1960. This letter constitutes formal approval of the payment of salaries for the calendar year 1961 at the rates set forth in the enclosed list.

In giving this approval the Board wants to repeat what was said at our meeting on January 24, that it does not believe there has been a meeting of the minds between the directors and officers of your Bank and the Board of Governors on the way in which the plan for officers' salaries adopted by the Board in 1953 should be administered.

In addition to its responsibility for general supervision of the Federal Reserve Banks, the Board has the specific responsibility to approve or disapprove salaries proposed for officers. However, in 1953 the Board partially decentralized this function. It did this by the device of salary schedules that give concrete expression to the salary "level" that the Board approves for the officers of each Reserve Bank. But, the Board retained the power to approve the application of these salary schedules to individual officers. In the main, this approval has to do with the number and amount of increases at any one time. (The compa ratio is only one of the devices used in appraising the application of schedules.) In addition, if salaries at any Reserve Bank either lag behind the procession or lead it excessively, the Board, as the co-ordinating agency of the System, must exercise its responsibility and authority.

This year your Bank submitted increases for 80 per cent of its officers (as compared with 59 per cent for all 12 Banks). The average percentage increase proposed by the Reserve Banks was 4.7 per cent; that of New York was 5.5 per cent. Since the latter applies to larger amounts, the proposed increases are also larger in the absolute, and they distort still further the differential between New York and the rest of the System.

Mr. Alfred Hayes -2-

It would be desirable, therefore, if there could be a preliminary discussion of the precise proposals you may have in mind for officer salaries for the calendar year 1962 at the time you meet with the Board's budget committee, perhaps as early as August 1961. We understand from the discussion on Tuesday that both you and Mr. Treiber feel that this procedure might be helpful to you as a means of avoiding a situation such as developed this year.

Sincerely yours,

Canby

C. Canby Balderston,
Vice Chairman.

Enclosure

Federal Reserve Bank of New York

Name	Title	Annual Salary
Harold A. Bilby	Vice President	$30,000
Charles A. Coombs	Vice President	26,000
Howard D. Crosse	Vice President	24,500
Marcus A. Harris	Vice President	28,000
Herbert H. Kimball	Vice President	32,500
Robert V. Roosa	Vice President	31,000
Robert G. Rouse	Vice President	35,000
Walter H. Rozell, Jr.	Vice President	24,500
Horace L. Sanford	Vice President	24,500
Todd G. Tiebout	Vice President and General Counsel	32,500
John J. Clarke	Assistant General Counsel	25,500
Felix T. Davis	Assistant Vice President	22,250
Norman P. Davis	Assistant Vice President	20,000
Tilford C. Gaines	Assistant Vice President	17,000
George Garvy	Adviser	18,500
Edward G. Guy	Assistant General Counsel	21,500
Peter P. Lang	Adviser	20,000
Angus A. MacInnes, Jr.	Assistant Vice President	21,500
Spencer S. Marsh, Jr.	Assistant Vice President	20,000
Fred W. Piderit, Jr.	Assistant Vice President	18,500
Lawrence E. Quackenbush	Assistant Vice President	19,500
Frederick L. Smedley	Assistant Vice President	18,250
Thomas O. Waage	Assistant Vice President	20,250
Donald J. Cameron	General Auditor	20,000
Martin W. Bergin	Manager	13,500
William H. Braun, Jr.	Assistant Counsel and Secretary	17,500
Robert L. Cooper	Manager	13,500
Karl L. Ege	Assistant General Auditor	14,000
Alan R. Holmes	Manager	16,000
John P. Jensen	Manager*	16,500*
Fred H. Klopstock	Manager	16,000
Robert G. Link	Manager*	16,000*
William E. Marple	Manager	16,750
Madeline H. McWhinney	Manager	15,000
Paul Meek	Manager	13,500
Herbert A. Muether	Manager	17,500
Donald C. Niles	Manager	18,000
Arthur H. Noa	Manager	15,500
William F. Palmer	Manager	15,000
Franklin E. Peterson	Manager	16,500

*New title and rate approved effective January 5. See Board's letter of January 24, 1961.

Federal Reserve Bank of New York

Name	Title	Annual Salary
John F. Pierce	Chief Examiner	$15,500
Everett B. Post	Manager	15,000
Charles R. Pricher	Manager	15,500
John P. Ringen	Manager	15,500
Thomas J. Roche	Manager	17,000
Walter S. Rushmore	Manager	15,250
Frank W. Schiff	Senior Economist*	15,000
Thomas C. Sloane	Assistant Counsel	16,000
Kenneth E. Small	Manager	15,750
George C. Smith	Manager	17,000
Aloysius J. Stanton	Manager	14,250
Robert W. Stone	Manager	16,000
Robert C. Thoman	Manager	12,500
Thomas M. Timlen, Jr.	Assistant Counsel and Assistant Secretary	13,500
Merlyn N. Trued	Manager	15,500
Robert Young, Jr.	Assistant Counsel	13,000

Buffalo Branch

Insley B. Smith	Vice President	26,000
Harold M. Wessel	Assistant Vice President	18,000
George J. Doll	Cashier	15,750
Gerald H. Greene	Assistant Cashier	13,750
M. Monroe Myers	Assistant Cashier	13,750

NOTE: It is noted that Mr. Gaines resigned effective January 4 and that Messrs. H. A. Muether and F. E. Peterson will reach retirement age during 1961. Accordingly, payment of salary to them is approved only to the respective dates of their separations.

*New title approved effective January 5. See Board's letter of January 24, 1961.