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Minutes for February 6, 1962

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. Mills

Gov. Robertson

Gov. Balderston

Gov. Shepardson

Gov. King

Gov. Mitchell

Minutes of the Board of Governors of the Federal Reserve System on
Tuesday, February 6, 1962. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Young, Adviser to the Board and Director,
Division of International Finance
Mr. Hackley, General Counsel
Mr. Noyes, Director, Division of Research and
Statistics
Mr. Farrell, Director, Division of Bank Operations
Mr. Solomon, Director, Division of Examinations
Mr. Connell, Controller
Mr. Shay, Assistant General Counsel
Mr. Sammons, Adviser, Division of International
Finance
Mr. Kakalec, Assistant to the Controller

Motion picture project (Item No. 1). At its meeting on
December 4, 1961, the Conference of Presidents of the Federal Reserve
Banks unanimously approved an expenditure by the Reserve Banks not in
excess of \$125,000 for a motion picture on the purposes, structure, and
operations of the Federal Reserve System, subject to the preparation of
a satisfactory script. The action of the Conference was taken with the
understanding that there was no commitment to continue with the project
if the script was not approved by the Presidents of the Reserve Banks
and by the Board of Governors.

Prior to this meeting there had been distributed a draft of
letter to the Chairman of the Conference of Presidents indicating that

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the Board would have no objection to the Federal Reserve Banks proceeding with the project, subject to the understanding expressed in connection with the action taken by the Presidents' Conference.

After a brief discussion the letter was approved unanimously, subject to an editorial change suggested by Governor Balderston. A copy of the letter, as sent, is attached as Item No. 1.

Branches resulting from section 18(c) acquisitions. In connection with its application to acquire the assets of another State member bank, Farmers and Merchants Bank of Long Beach, Long Beach, California, had requested approval of the establishment of branches at the locations of offices of the bank whose assets were being acquired. In a telegram to Mr. Hackley dated January 18, 1962, Vice President and General Counsel O'Kane of the Federal Reserve Bank of San Francisco inquired as to (1) the position of the Board in respect to the necessity of approving branches resulting from section 18(c) acquisitions; (2) whether in merger and consolidation applications under that section applicants should be informed that the Board's approval under section 9 of the Federal Reserve Act was not required for the continued operation of offices of the bank being absorbed; and (3) whether the capital of the resulting or purchasing bank must in any event meet minimum requirements of Federal law as stated in 12 U.S.C. 36. A draft of suggested reply had been distributed prior to this meeting.

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In commenting on the matter, Mr. Hackley pointed out that Mr. O'Kane's telegram presented questions of a rather technical nature, the answers to which were related to the statutes under which the respective transactions took place. In the circumstances, some members of the legal staff now felt that it might be preferable if the reply to Mr. O'Kane was not sent as a Board letter and instead took the form of a staff letter over the signature of the Board's General Counsel. Such a letter would be generally along the lines of a draft reply that had been distributed, but it could be in a more informal vein and could be cast in terms of reflecting the views of the Legal Division.

Agreement having been expressed with this suggestion, it was understood that the reply to Mr. O'Kane would be sent as a staff letter over Mr. Hackley's signature.

Mr. Shay then withdrew from the meeting and Messrs. Molony and Fauver, Assistants to the Board, entered the room.

Budget performance report for 1961. Under date of January 31, 1962, there had been distributed to the members of the Board a document prepared by the Office of the Controller reviewing the performance under the Board's budget for the calendar year 1961.

The 1961 budget was \$6,785,971 and expenses totaled \$6,591,671, so that there was a net underexpenditure of \$194,300. Expenses for personal services were less than budgeted by \$136,800, due primarily to the existence of unfilled budget positions. Expenses for nonpersonal

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services were less than budgeted by \$57,500, due principally to the fact that expenditures in the printing and binding, traveling expense, and rental accounts were lower than budgeted. The budget document contained an itemization of overexpenditures in certain account classifications in various divisions totaling approximately \$141,000. While all major overexpenditures had been approved by the Board prior to the end of 1961, a few overexpenditures totaling \$7,914 had not been submitted for approval prior to the end of the year. In the opinion of the Controller these were reasonably unavoidable, and it was recommended that acceptance of the budget performance report be considered as approval of the remaining overexpenditures.

In commenting on the budget document, Mr. Connell referred among other things to efforts that had been made by the Controller's Office, in cooperation with the various divisions, to obtain adequate provision for prospective position lapses.

At the conclusion of Mr. Connell's comments, the overexpenditures in account classifications in various divisions totaling \$7,914 that had not previously been submitted to the Board were approved unanimously upon the recommendation of Governor Shepardson.

Governor Balderston noted that the 1961 budget provided for 641 positions, whereas only 599 persons were employed at the end of 1961. The question that he raised in this connection related to the efforts that had been made in recent years by the Board, in cooperation with the Federal Reserve Banks, to guard against overbudgeting.

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Along somewhat the same lines, Governor King recalled that over at least the past several years, budget reports had reflected a pattern according to which the number of persons actually employed at the Board was rather consistently about 35 or 40 less than the number of budget positions.

These comments led to a general discussion during which reference was made to various factors accounting for the lower number of employees than budgeted positions, including normal personnel turnover and the difficulty encountered in recruiting for certain types of professional jobs. It was noted that, as mentioned by Mr. Connell, efforts had been made to encourage the divisions to provide adequately for prospective position lapses. It was also indicated that some question remained as to whether, in cases where active recruiting was taking place but difficulty was found in locating the desired personnel, the preferable course would be to carry such positions in the budget or to eliminate them. This question involved to some extent a principle of budget philosophy.

The discussion then turned to the problem of personnel recruitment and for this purpose Mr. Johnson, Director, Division of Personnel Administration, was called into the meeting.

In commenting on this matter, Governor Shepardson noted that checks made by the Personnel Division with Government agencies indicated that the salaries paid by the Board appeared to be generally in line

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with those paid by other Government agencies for similarly-described positions. However, there might be some question as to whether the Board's salary classification program tended to be administered more strictly. As to attracting new personnel, particularly for professional positions, the competition appeared to be severe. Further, there seemed to be a problem of acquainting prospective employees with the Board's program, including the types of operations conducted by the Board's organization and the program of staff development. Governor Shepardson expressed the view that more might be done along the lines of campus recruiting and said that he had so expressed himself to the heads of divisions.

Mr. Johnson confirmed generally the comments of Governor Shepardson with regard to the results of checks made by the Personnel Division with other Government agencies. As to the Federal Reserve Banks, he said a study showed that the compensation of economists holding generally comparable positions was considerably higher at the Board. It was his thought that continuation and enlargement of the personnel training and development program might contain possibilities for attracting competent employees at the professional level.

Governor Robertson suggested the exploration of a System-wide program that would envisage the recruitment and placement of prospective employees by the Board and the Federal Reserve Banks on a more coordinated basis than at present. Discussion of such a possibility indicated that

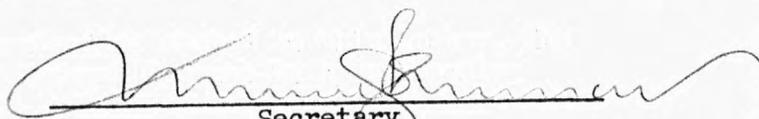
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some efforts along those lines, in the research and statistical area, had been made in the past, but that the Reserve Bank reaction seemed to be mixed. However, despite the problems that were brought out, there appeared to be a general sentiment within the Board that it would be desirable for the idea to be explored further, perhaps including discussion by the Board or members thereof with the Presidents of the Federal Reserve Banks. There was also general agreement with a comment by the Chairman that the recruitment problem was one that should be pursued vigorously at all times.

The meeting then adjourned.

Secretary's Note: Governor Shepardson today approved on behalf of the Board letters to the Federal Reserve Bank of Chicago (Items 2 and 3) approving the appointment of John D. Lippert and Richard J. Seltz as assistant examiners.


Secretary

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

Item No. 1
2/6/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 6, 1962.

Mr. Malcolm Bryan, Chairman,
Conference of Presidents of the
Federal Reserve Banks,
c/o Federal Reserve Bank of Atlanta,
Atlanta 3, Georgia.

Dear Mr. Bryan:

Reference is made to the action of the Conference of Presidents at its meeting on December 4, 1961, unanimously approving an expenditure by the Federal Reserve Banks, not in excess of \$125,000 with the cost to be prorated among the twelve Banks, for a motion picture film on the purposes, structure, and operations of the Federal Reserve System, subject to the preparation of a satisfactory script. Of that sum, approximately \$10,000 would be for travel and other expenses incident to the preparation of the script. The action of the Conference of Presidents, as reported in the memorandum submitted to the Board following the meeting, was taken with the understanding that there is no commitment to continue with the project if the script is not approved subsequently by the Presidents of the Federal Reserve Banks and by the Board of Governors.

Subject to the understanding stated in this letter, the Board has no objection to the Federal Reserve Banks proceeding with the project as outlined.

Copies of this letter are being sent to the Presidents of all Federal Reserve Banks for their information.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM Item No. 2
WASHINGTON 25, D. C. 2/6/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 6, 1962

CONFIDENTIAL (FR)

Mr. Hugh J. Helmer, Vice President,
Federal Reserve Bank of Chicago,
Chicago 90, Illinois.

Dear Mr. Helmer:

In accordance with the request contained in your letter of January 31, 1962, the Board approves the appointment of John D. Lippert as an assistant examiner for the Federal Reserve Bank of Chicago. Please advise the effective date of the appointment.

It is noted that Mr. Lippert is indebted to Second National Bank of Saginaw, Saginaw, Michigan, a member bank of which his father is a vice president. Accordingly, the Board's approval of the appointment of Mr. Lippert is given with the understanding that he will not participate in any examination of that bank so long as his indebtedness remains unliquidated and so long as his father is an officer of that institution.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.



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

Item No. 3
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ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 6, 1962

CONFIDENTIAL (FR)

Mr. Hugh J. Helmer, Vice President,
Federal Reserve Bank of Chicago,
Chicago 90, Illinois.

Dear Mr. Helmer:

In accordance with the request contained in your letter of January 31, 1962, the Board approves the appointment of Richard J. Seltz as an assistant examiner for the Federal Reserve Bank of Chicago. Please advise the effective date of the appointment.

It is noted that Mr. Seltz is indebted to Bay City Bank, Bay City, Michigan, a State member bank, in the amount of \$1,402. Accordingly, the Board's approval of the appointment of Mr. Seltz is given with the understanding that he will not participate in any examination of that bank until his indebtedness has been liquidated.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

