

FR609

Minutes for March 10, 1964

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

*M*

Gov. Mills

*[Signature]*

Gov. Robertson

*R.*

Gov. Balderston

*CCB*

Gov. Shepardson

*[Signature]*

Gov. Mitchell

*[Signature]*

Gov. Daane

*[Signature]*

Minutes of the Board of Governors of the Federal Reserve System  
on Tuesday, March 10, 1964. 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. Mitchell  
Mr. Daane

Mr. Sherman, Secretary  
Mr. Kenyon, Assistant Secretary  
Mr. Bakke, Assistant Secretary  
Mr. Young, Adviser to the Board and Director,  
Division of International Finance  
Mr. Fauver, Assistant to the Board  
Mr. Hackley, General Counsel  
Mr. Brill, Director, Division of Research  
and Statistics  
Mr. Farrell, Director, Division of Bank  
Operations  
Mr. Johnson, Director, Division of Personnel  
Administration  
Mr. Connell, Controller  
Mr. Schwartz, Director, Division of Data  
Processing  
Mr. Hexter, Assistant General Counsel  
Mr. Holland, Associate Director, Division of  
Research and Statistics  
Mr. Koch, Associate Director, Division of  
Research and Statistics  
Mr. Partee, Adviser, Division of Research and  
Statistics  
Mr. Leavitt, Assistant Director, Division of  
Examinations  
Mr. Langham, Assistant Director, Division of  
Data Processing  
Mr. Kakalec, Assistant to the Controller,  
Office of the Controller

System membership for national banks. There had been distributed  
a memorandum from Mr. Brill, dated March 9, 1964, to which was appended a  
draft letter to the Secretary of the Treasury calling attention to a  
communication from the Comptroller of the Currency to all national banks,

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dated February 28, 1964, in which the Comptroller restated his view that membership in the Federal Reserve System should be voluntary for national banks, not only because membership is voluntary for State banks but because the mandatory reserve requirements imposed on member banks did not serve any useful function in maintaining bank liquidity and were not necessary for the effective conduct of monetary policy. The draft letter to the Secretary of the Treasury, in addition to questioning the propriety of the Comptroller's communicating personal views in this manner on matters that were the primary responsibility of other agencies, contained an economic discussion of the function of bank reserves and the role of reserve requirements in the effectuation of monetary policy.

Governor Balderston commented that when the Comptroller's letter came to his attention he had felt that the Board should rebut the representations contained therein, through whatever channels might be deemed appropriate, and had asked the staff to prepare an appropriate document for this purpose. He observed that the staff draft appeared to be preferable to a draft letter he himself had composed and distributed to the other members of the Board. He expressed the opinion, however, that the staff draft would be improved by the addition of a succinct summary paragraph, along with certain other modifications that he described.

Governor Balderston went on to say that he had been impressed with the tone and tenor of an alternative approach suggested by Governor Robertson, which might be preferable to that of the staff draft.

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Governor Robertson explained that after further consideration he would now propose confining the letter to the Secretary of the Treasury to a statement of the Board's feeling that it was inappropriate for the Comptroller to speak out on this matter without prior consultation with the Board. He would, however, also prepare a separate paper, which might be published in the Federal Reserve Bulletin, containing an economic analysis of the need for mandatory required reserves as a fulcrum for central banking operations. He added, though, that in his view no rejoinder should be made to the Comptroller's comments on this subject until the Board was satisfied that its position was unassailable and properly stated.

Governor Daane expressed general concurrence with Governor Robertson's approach. He added the thought that something should be done to correct the impression left with the recipients of the Comptroller's letter.

Governor Mitchell stated that he would be inclined to ignore the Comptroller's letter of February 28 and make no rebuttal, in view of President Johnson's letter of March 2 to the Secretary of the Treasury, and the Secretary's letter of March 3, calling for harmonious relations between the Federal bank supervisory agencies. Further, he did not consider the staff draft letter convincing.

There followed an extended discussion of the relationship of mandatory reserve requirements to bank liquidity and the execution of monetary policy, during the course of which various views were expressed.

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Chairman Martin then commented that he would favor adopting Governor Robertson's approach of a temperate letter to the Secretary of the Treasury dealing only with the appropriateness of the Comptroller's letter of February 28, citing this as an example of the type of problem that might fall within the spirit of President Johnson's letter of March 2 to the Secretary of the Treasury concerning relations between the Federal bank supervisory agencies and pointing out that it was distributed to all national banks without prior consultation with the Board. He added that he doubted whether the Board should attempt at this time to deal with the questions raised by the Comptroller, as they related to the question of liquidity. However, a paper dealing with the function of mandatory reserve requirements as a fulcrum for monetary policy should be prepared for the Board's consideration as to possible use.

It was thereupon agreed that the staff would undertake to prepare a revised draft letter, taking into account the comments made at this meeting, and that a staff study of the reserve question would be made with a view to possible publication of an article in some future issue of the Federal Reserve Bulletin.

Prospective director vacancies. There had been distributed a memorandum dated March 2, 1964, from Mr. Fauver listing the names of four Class C directors of Federal Reserve Banks and nine branch directors who would appear not to be eligible, under the Board's rotation policy,

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for reappointment after expiration of their present terms of office at the end of this year.

Mr. Fauver explained that his purpose in submitting the memorandum at this time was to allow the Board more leeway than had been the case at times in the past to consider the problem of locating successors to these directors.

After discussion it was agreed, at Chairman Martin's suggestion, that each Board member would give thought to names of possible candidates to replace the directors whose terms were expiring and that the matter would be brought up for further consideration at a Board meeting early in June.

Mr. Hexter then withdrew from the meeting.

Reorganization of banking statistics function (Item No. 1).

There had been distributed a memorandum dated March 6, 1964, prepared jointly by the Divisions of Bank Operations, Data Processing, and Research and Statistics, routed via the Office of the Controller and the Division of Personnel Administration, wherein a plan for reorganization of the Board's banking statistics function was presented. (A copy of the memorandum is attached as Item No. 1.) This plan, the preparation of which had previously been authorized informally by the Board, was intended (1) to provide more sharply focused economic leadership in the collection of banking statistics; (2) to create a more efficient and flexible organization for the processing of banking statistical series, including all feasible computer applications; and (3) to develop an enhanced

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capacity for data assembly, statistical operations, and presentation, looking toward the enlarged scope for analysis being created by theoretical and technical advances in the field. To accomplish this objective, the plan proposed that the functions and personnel of the Current Series and Call Report Sections of the Division of Bank Operations be redistributed among the Division of Data Processing, the Division of Research and Statistics, and other sections of the Division of Bank Operations.

There ensued a discussion concerning the extent to which electronic data processing of statistical series might be expected to reduce personnel requirements, during the course of which it was pointed out that while a reduction in the clerical force required for series currently being compiled might be expected, the ultimate impact on personnel requirements could not be accurately predicted because of the larger opportunities afforded by use of the computer for the collection of new series.

There was also discussion, initiated by Governor Mitchell, concerning means for effecting better coordination between the Board and the Reserve Banks in regard to the processing of statistical series in order to maximize the efficient and economic usage of the System's electronic equipment. Governor Robertson observed that staff-level efforts to achieve such coordination might be aided if the Board were to discuss this matter with the Reserve Bank Presidents, and Mr. Brill indicated that some recommendations might be forthcoming as the result of an intensified effort that was to be made by the Research Division to

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obtain better first-hand knowledge of the research programs at the respective Reserve Banks.

The reorganization plan for the banking statistics function was then approved unanimously as submitted, to be effective March 15, 1964.

The meeting then adjourned.

Secretary's Note: Pursuant to recommendations contained in memoranda from appropriate individuals concerned, Governor Shepardson today approved on behalf of the Board the following actions relating to the Board's staff:

#### Appointments

Rosemary A. Darlington as Summer Research Assistant, Division of International Finance, with basic annual salary at the rate of \$5,795, effective the date of entrance upon duty.

Olive M. Willard as Cafeteria Helper, Division of Administrative Services, with basic pay at the rate of \$1.80 per hour when actually employed, effective the date of entrance upon duty.

#### Salary increases, effective March 15, 1964

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Board Members' Offices</u>			
Athens J. Messick, Secretary to Mr. Mitchell		\$ 8,690	\$ 8,970
<u>Office of the Secretary</u>			
Mary L. Scott, Indexing and Reference Assistant		4,850	5,010
<u>Legal</u>			
Phyllis Mulcahy, Assistant Legal File Clerk		4,215	4,355

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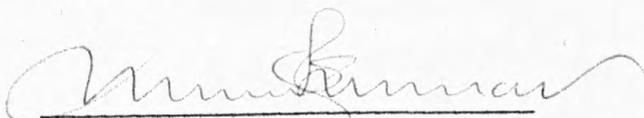
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Salary increases, effective March 15, 1964 (continued)

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Research and Statistics</u>			
Edward R. Fry, Economist		\$10,310	\$10,640
<u>International Finance</u>			
Katherine Hichborn, Secretary		6,285	6,460
<u>Examinations</u>			
Joseph B. Dunn, Assistant Federal Reserve Examiner		8,180	8,410
<u>Personnel Administration</u>			
Sudelle Rice, Employee Development Technician		6,575	6,770
<u>Administrative Services</u>			
Joseph C. Stratton, Jr., Messenger		3,305	3,410
Charlie H. Ward, Laborer		4,145	4,250
<u>Data Processing</u>			
Louise Lewis Hiller, Data Control Clerk		5,490	5,650

Salary increase, effective March 29, 1964

Charles P. Brown, Operator (Duplicating Devices), Division of Administrative Services, from \$4,638 to \$4,888 per annum.

  
Secretary

March 6, 1964.

TO: Board of Governors

SUBJECT: Reorganization of  
Banking Statistics Function.

FROM: Divisions of -  
Bank Operations  
Data Processing  
Research and Statistics

*Handwritten initials and date: 4/10/64*

THROUGH: Office of the Controller and the  
Division of Personnel Administration

*Handwritten initials: K. J. J. O. O.*

This memorandum sets forth a proposed reorganization of the Board's banking statistics function, pursuant to an informal understanding reached by the Board authorizing the preparation of such a reorganization plan.

The purposes of the proposed reorganization are:

1. To provide more sharply focused economic leadership in the collection of banking statistics;
2. to create a more efficient and flexible organization for the processing of banking statistical series, including all feasible computer applications; and
3. to develop an enhanced capacity for data assembly, statistical operations, and presentation, looking toward the enlarged scope for analysis that is being created by theoretical and technical advances in the field.

In reorganizing the staff to serve these purposes, particular consideration has also been given to:

1. The need to preserve continuity of operations without diminution in quality of performance; and

2. the personal capabilities and performance of the individual employees affected.

Recommendation

It is proposed that the functions now being performed in the Current Series Section and the Call Report Section of the Division of Bank Operations be largely reallocated to the Division of Data Processing, and also to the Division of Research and Statistics and other sections of Bank Operations.

Discussion

Data Processing would be vested immediately with full responsibility for the implementation of the banking series and surveys authorized by the Board. It is expected that in due course Data Processing will be given similar responsibilities with respect to other financial series and surveys undertaken by the Board. Series presently to be handled by Data Processing include call reports, reports of income and dividends and operating ratios, all-bank series, consolidated statement for the monetary system, banking structure statistics, weekly reporting member bank data and other related weekly and daily data including Federal Funds transactions, reports of deposits, borrowings, and reserves of member banks, the daily and weekly statements of factors affecting reserves, and the weekly summary of condition of Reserve Banks. Work on these and other series is intended to include the appraisal of alternative approaches; the statistical design of report forms and selection of respondents; data collection; manual and machine processing of data; all activities relating to the maintenance of statistical series, including quality control measures and correspondence incident thereto;

the publication of statistical results; and the performance of ad hoc statistical jobs relating to the series being handled.

The present responsibility of the Division of Research and Statistics for content of series would be expanded to encompass full substantive responsibility for the content and analysis of banking reports. This is intended to include substantive design of report objectives, correspondence relating to the substance of results, specification of tabulations needed for analysis, and the actual analysis of the results.

The Division of Bank Operations would retain certain functions that involve Reserve Bank operations and the regulation of member banks. These include the daily balance sheets of the Federal Reserve Banks; the allocation of securities of the System Open Market Account; the Par List; the classification of reserve cities and reserve city banks; and waivers of reserve deficiency and reduced reserves.

The functions included within the entire area of discussion are shown in Exhibit A.

#### Assignment of Personnel

To perform the reorganized financial statistics function a substantial reshuffle of personnel would be involved. The proposed change entails the transfer to Data Processing of 20 of the 25 positions in the two bank statistics sections of Bank Operations. The two sections would promptly be integrated into one, with elimination of one Section Chief position and one Technical Assistant. Thereafter, as soon as feasible, a top-level statistician-economist would be recruited into one of the 20 positions to coordinate the entire financial statistics program in

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Data Processing, including activities already underway in the areas of sample design and consumer credit and finances data along with the bank statistics activities to be transferred from the Division of Bank Operations. Within one year, that position would be offset by the retirement of an Assistant Director in Bank Operations.

Some strain may appear in Data Processing in that the effort to streamline the present operation may have transitional difficulties. A Technical Assistant would be loaned by Bank Operations to Data Processing to facilitate the transition until a suitable successor could be found.

Four positions are being retained in Bank Operations partly to perform the functions that will be retained and partly to undertake new assignments stemming from realignment of work to permit expansion in Reserve Bank surveys. In addition, two new positions would be established and assigned to the expanded survey work. One of these would be for the Technical Assistant to be loaned to Data Processing.

In order to carry the enhanced burden of banking series design and analysis contemplated under the proposal an additional position in the Division of Research and Statistics for a bank data analyst appears necessary.

The details of these proposed personnel shifts are outlined in the attached Exhibit B.

Whether the reorganization scheme herein described will work out satisfactorily can only be judged in actual practice. A number of adaptations may well prove necessary after it has been in effect and its operations have been reviewed. The most that can be expected is that such subsequent adaptations will have been minimized - not eliminated - by careful planning beforehand.

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It is not proposed to make any changes with respect to office space at this time.

The underlying discussions in connection with this proposal were carried forward in consultation with the Controller and the Director of the Division of Personnel Administration and this memorandum has been submitted to them for review.

The Division of Personnel Administration, in collaboration with the Office of the Controller and the Division of Bank Operations, has discussed work responsibilities with the incumbents of the positions in the two Sections (Current Series and Call Report) whose functions are to be relocated. It was found that, other than for changes of minor importance, the current job descriptions fairly represent the duties of the positions. The Division of Personnel Administration found these positions to be adequately classified in their present salary grades and the incumbents qualified to perform their duties.

In expressing his concurrence with the reorganization herein proposed the Controller suggests that it be made effective the first pay period following Board approval, and that he be authorized to reallocate all unexpended budget balances of the Sections involved.

EXHIBIT A

Functions Involved in the Reorganization of Banking Statistics Work

<u>Function</u>	<u>Bank Operations</u>	<u>Research</u>	<u>Data Processing</u>
1. Reports of condition of member and other banks, including call reports, semi-monthly all-bank series, consolidated condition statement for banks and the monetary system, and biennial survey of deposit distribution of counties.		Substantive design of report contents. Substantive correspondence relating to report contents and results. Specification of needed tabulations. Analysis of results.	Statistical design of report forms and respondent selection. Collection of data. Manual and machine processing of data. Maintenance of statistical series, including quality control. Correspondence relative to maintenance of series. Publication of statistical results. Ad hoc statistical jobs.
2. Reports of income and dividends of banks, and related annual operating ratios.		Same as 1.	Same as 1.
3. Banking structure statistics of banks, branches, and facilities.		Same as 1.	Same as 1.
4. Reports of condition of weekly reporting member banks and related changes in commercial and industrial loans, weekly series of money market banks, and daily series of Federal funds purchases and sales.		Same as 1.	Same as 1.
5. Reports of deposits, reserves, and borrowings of member banks, and estimates of vault cash and required reserves.		Same as 1.	Same as 1.

<u>Function</u>	<u>Bank Operations</u>	<u>Research</u>	<u>Data Processing</u>
6. Bank debits.		Same as 1.	Same as 1.
7. Daily balance sheets of the Federal Reserve Banks.	Continues as a Bank Operations responsibility, with substantive consultation with Research and Examinations.		
8. Daily and weekly statements of factors affecting reserves and weekly summary of condition of the Reserve Banks.		Same as 1, plus writing weekly text.	Same as 1 except that "and respondent selection" is dropped.
9. Par list.	Continues as a Bank Operations function.		
10. Allocation of securities in System Open Market Account.	Continues as a Bank Operations function.		
11. Classification of reserve cities and reserve city banks and waivers of reserve deficiencies and reduced reserves.	Continues as a Bank Operations function with consultation with Research.		

Exhibit B

Personnel Shifts

<u>Present - Bank Ops.</u>		<u>Transitional</u>		<u>Ultimate</u>		
		<u>Bank Ops.</u>	<u>Data Proc.</u>	<u>Bank Ops.</u>	<u>Data Proc.</u>	<u>Research</u>
Conkling O'Rourke	Asst. Dir. Secretary	Conkling <u>1/</u> O'Rourke		Secretary <u>4/</u>		
			Vacancy <u>6/</u>		Vacancy <u>6/</u>	New pos. <u>6/</u> (vacancy)
Veenstra Cava	Sect. Chief Secretary		Veenstra Cava		Veenstra Cava	
Franzoni Solodow	Tech. Asst. Analyst	New pos. <u>2/</u> (Franzoni)	Solodow	New pos. <u>2/</u> (Franzoni)	Solodow	
Ball	Supervisor		Ball		Ball	
Roberts	Stat. Asst.		Roberts		Roberts	
Barlow	Stat. Asst.		Barlow		Barlow	
Jonsberg	Analyst		Jonsberg		Jonsberg	
Shuster	Stat. Clerk		Shuster		Shuster	
Gifford	Stat. Clerk		Vacancy <u>3/</u>		Vacancy	
Innocenti	Stat. Clerk		Innocenti		Innocenti	
Collier Wolfe	Sect. Chief Secretary	Collier <u>4/</u>	Wolfe	Collier <u>4/</u>	Wolfe	
Ring	Tech. Asst.	New pos. <u>2/</u> (Ring <u>5/</u> )	Vacancy	New pos. <u>2/</u> (Ring)	Vacancy	
Omohundro	Analyst	Omohundro		Omohundro		
Randour	Supervisor		Randour		Randour	
Jackson	Stat. Asst.		Jackson		Jackson	
Clark	Stat. Clerk		Clark		Clark	
Renucci	Stat. Clerk		Renucci		Renucci	
Bierly	Stat. Clerk		Bierly		Bierly	
Litman	Stat. Clerk		Litman		Litman	
Vacancy (Black)	Stat. Clerk	Vacancy		Vacancy		
Nobilio	Clerk-Typist		Nobilio		Nobilio	
Total	25	7	20	6	20	1

1/ Ad hoc assignments pending retirement.

2/ Assigned to expanded Reserve Bank survey work.

3/ Present incumbent (Mrs. Gifford) would be reassigned to an existing vacancy in Mr. Kiley's Section.

4/ Partly new assignments.

5/ Temporarily loaned to Data Processing for shake-down period.

6/ To be filled by a "top-level" man.