

Minutes for April 28, 1966

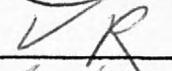
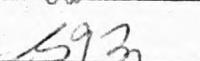
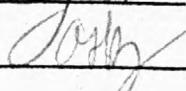
To: Members of the Board

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	<u></u>
Gov. Robertson	<u></u>
Gov. Shepardson	<u></u>
Gov. Mitchell	<u></u>
Gov. Daane	<u></u>
Gov. Maisel	<u></u>
Gov. Brimmer	<u></u>

Minutes of the Board of Governors of the Federal Reserve System on Thursday, April 28, 1966. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman  
Mr. Robertson, Vice Chairman  
Mr. Shepardson  
Mr. Mitchell  
Mr. Daane  
Mr. Brimmer

Mr. Sherman, Secretary  
Mr. Kenyon, Assistant Secretary  
Mr. Young, Senior Adviser to the Board and  
Director, Division of International Finance  
Mr. Holland, Adviser to the Board  
Mr. Fauver, Assistant to the Board  
Mr. Hackley, General Counsel  
Mr. Brill, Director, Division of Research  
and Statistics  
Mr. Solomon, Director, Division of Examinations  
Mr. Johnson, Director, Division of Personnel  
Administration  
Mr. Kelleher, Director, Division of Administrative  
Services  
Mr. Kakalec, Controller  
Mr. Smith, Associate Adviser, Division of Research  
and Statistics  
Mr. Leavitt, Assistant Director, Division of  
Examinations  
Mr. Sprecher, Assistant Director, Division of  
Personnel Administration  
Miss Wolcott, Technical Assistant, Office of the  
Secretary  
Mr. Greenspun, Economist, Division of Research  
and Statistics  
Mr. Egertson, Supervisory Review Examiner, Division  
of Examinations  
Mr. Hart, Assistant to the Director, Division of  
Personnel Administration  
Mr. Millea, Assistant to the Controller  
Mr. Waller, Supervisory Accountant, Office of  
the Controller

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Branch application. Unanimous approval was given to a letter to The Detroit Bank and Trust Company, Detroit, Michigan, approving the establishment of a branch in Nankin Township. A copy of the letter is attached as Item No. 1.

Report on competitive factors. A report to the Comptroller of the Currency on the competitive factors involved in the proposed merger of The Farmers State Bank of Englewood, Englewood, Ohio, into The National Bank of Dayton, Dayton, Ohio, was approved unanimously for transmittal to the Comptroller. The conclusion read as follows:

Consummation of the proposed merger of The National Bank of Dayton and The Farmers State Bank of Englewood would eliminate existing competition and potential for more competition between the two banks. The transaction would increase the concentration of banking resources in three banks which now hold about 90 per cent of the total bank deposits in the area.

Surveys on use of bank services. There had been distributed a memorandum from the Division of Research and Statistics dated April 20, 1966, recommending that contracts be entered into with National Analysts, Inc., of Philadelphia, Pennsylvania, and Crossley S-D Surveys, Inc., of New York City for the purpose of conducting surveys of household and business use of bank services. The principal purpose of the surveys would be to develop techniques suitable for future use in bank merger and bank holding company cases where additional data were needed on geographic boundaries of market areas and on convenience and needs aspects.

Hagerstown, Maryland, and Meriden, Connecticut, had been selected as survey areas; the selection had been cleared with the Federal Reserve

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Banks of Richmond and Boston, respectively. Funds for the surveys, expected to be completed by the end of the third quarter of 1966, had been included in the 1966 budget. Preliminary discussion looking towards survey clearance had also been held with the staff of the Bureau of the Budget.

Following remarks by Mr. Smith in supplementation of the memorandum, a number of questions were raised by members of the Board regarding techniques to be employed in conducting the surveys and budgetary considerations incident thereto.

The Board then authorized the proposed contracts.

Revision of Cleveland salary structures (Item No. 2). There had been distributed a memorandum from the Division of Personnel Administration dated April 27, 1966, relating to a request from the Federal Reserve Bank of Cleveland for approval of upward adjustments in employee salary structures applicable to the head office and branches, including a special maximum of \$19,500 for Grade 16 of the head office structure. Approval was recommended by the Division.

After discussion of the memorandum and of additional points brought out by Mr. Johnson's oral presentation, the revised salary structures were approved unanimously, effective May 1, 1966. A copy of the letter sent to the Cleveland Bank pursuant to this action is attached as Item No. 2.

System salaries. Consideration of the salary structure revision at the Cleveland Bank generated discussion of System salary scales generally.

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During this discussion Governor Daane expressed the view that the Cleveland scale was too low to support staff of the desired quality for a Reserve Bank. Structures of such kind were not geared, in his opinion, to pull into the Banks persons of the caliber needed.

Governor Brimmer observed that the new Cleveland structure would not bridge completely the existing gap between structure midpoints and market lines in the upper grades. The Cleveland Bank's survey, he noted, was conducted earlier this year. The new structure would be likely to remain in effect for about two years, if past experience was a guide, yet even at the outset the Bank would be somewhat behind the market as far as key positions were concerned. By the end of this year the gap existing under the present structure might well be reestablished.

Mr. Johnson indicated that the Division of Personnel Administration was now encouraging the Banks to come in with structure revisions each year, if justified, with a view to keeping on top of the market situation as it developed. He also commented that there were relatively few employees in the upper grades. The Cleveland management, he said, had assured the Board's staff that with the new structure and the \$19,500 penthouse for Grade 16 the Bank would be able to recruit adequately.

At the request of Governor Brimmer, Mr. Brill commented on the quality of the Cleveland Bank's research staff, the substance of his remarks being to the effect that the Vice President in charge of the function was highly regarded but that a need existed for a stronger supporting staff.

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Governor Daane expressed the opinion that the Reserve Banks were living on "inherited capital" in a number of places and that they were not offering salaries sufficient to attract top prospects from the graduate schools. The fact that the Banks were not keeping up with the market was a contributing factor to what he saw as a gradual erosion of staff strength. The problem could be seen in the examining field as well as in the research function.

Governor Brimmer noted that even though the Cleveland management might believe the Bank could recruit adequately under the new structure, he did not feel that the structure would be a positive instrument in the recruiting process. In his view the Board should help to stimulate Reserve Bank thinking in this regard and should provide leadership. The current techniques of Bank wage-setting, he thought, were suspect as far as the upper grades were concerned. He hoped that at some point these techniques would be critically reexamined.

Governor Mitchell brought out that there appeared to be no significant problem as far as the bulk of System positions were concerned. The problem focused on a relatively small number of employees. But it should be dealt with, beginning at the Board, where staff salaries at the levels under discussion were, if anything, more inadequate than at the Reserve Banks. As to the Banks, he felt there was a great deal to be said for improving the structures beginning at Grade 11. The penthouse for Grade 16 only amounted to temporizing with the problem. An

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officer of a Reserve Bank was expected to have talents frequently not available in research personnel, even in the case of research persons who could qualify for relatively high salaries in their field. The professional person a Reserve Bank did not want to make an officer should have the benefit of a comparable salary scale running at least to \$20,000, preferably higher.

Governor Mitchell also observed that it was not possible to recruit and retain competent people to work at unimaginative jobs, of which there were many throughout the System. Talented people were wasted in such positions and would leave the Banks. The System must make broader horizons available.

Chairman Martin suggested that all of these points be reviewed very carefully by the Committee on Organization, Compensation, and Building Plans, and it was understood that this would be done.

Travel regulations. At the meeting on March 30, 1966, the Board considered certain questions in the area of travel regulations that had been raised in a memorandum from Governor Shepardson of March 28. Among the questions raised were whether an effort should be made to bring about uniformity in the travel regulations of the several Federal Reserve Banks and whether an effort should be made to bring about uniformity between the Board's regulations and those of the Reserve Banks, either in the one direction or the other. As a result of the discussion at the March 30 meeting, the idea of working toward

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uniformity was discarded. However, it was understood that further consideration would be given to the Board's regulations with a view to providing somewhat more flexibility, particularly with regard to per diem arrangements and air transportation.

In a distributed memorandum dated April 25, Governor Shepardson submitted several proposed changes in the Board's regulations, intended to be responsive to the discussion at the March 30 meeting.

A principal proposal, in regard to staff travel, was that instead of a per diem in lieu of subsistence of \$16, a per diem of \$8 would be allowed plus actual cost of room. In addition, taxi fares would be allowed between place of abode and place or places of business for the first three days in any one city. Several lesser amendments were also suggested, along with certain changes having to do particularly with travel by the field examining staff.

A proposed revised statement of policy was included. This would indicate that when official travel was necessary, either within or outside the continental United States, it would be accomplished with due regard to cost as well as to the comfort, convenience, and business needs of the traveler, including the proprieties of the meeting attended or the needs of senior officials whom the traveler might be accompanying. This would apply particularly as to class of air transportation used and choice of hotel accommodations.

Normally, according to the proposed policy statement, this would contemplate use of less than first-class air transportation for trips of

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less than approximately two hours' duration and on longer trips where the schedule was such as to permit an appropriate adjustment period of up to 24 hours between time of arrival and time of reporting for official duties. For hotel accommodations, it would contemplate costs not to exceed cost of average room in standard hotels in the city or, in case of attendance at meetings, accommodations no more expensive than the average at the headquarters hotel.

The policy statement would indicate that the Board would rely on the discretion of the staff in this matter, with the understanding that apparently excessive claims could be questioned by the Controller and, if not satisfactorily explained, called to the attention of the designated Board member for further disposition.

In the course of explanatory comments at this meeting, Governor Shepardson noted that he had not included any change in the provisions of the travel regulations relating to per diem arrangements for Board members, who would continue to have the option of a \$20 per diem or travel on actual expenses. If the members desired, however, an option of \$10 per diem plus actual cost of room could be provided. As to the policy statement, he said it had first been drafted to indicate a broad policy without specific guidelines. On the basis of staff suggestions, however, it had been changed to include two guidelines. Generally speaking, the policy statement was intended to provide reasonable flexibility. The question was how closely the policy statement and the other suggestions

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for changes in the regulations approached what the members of the Board had had in mind.

Comments by members of the Board reflected a view that the proposed changes, including the policy statement, were in a desirable direction, providing additional flexibility that should be helpful in dealing with several difficulties that had been encountered under the current regulations. There followed some discussion of the adequacy of the \$8 per diem that would be allowed in addition to actual cost of hotel room, and Governor Shepardson estimated that on average that would provide a benefit of around \$4 compared with the current \$16 overall allowance. He observed that on some trips the \$8 allowance might prove close, but on other trips, such as those where meals were provided by Reserve Banks or others, it should prove more than ample; on average, it should prove reasonable. In reply to a question, he verified that travel on an actual expense basis would still be available in justifiable cases.

Question also was raised regarding the part of the policy statement indicating that less than first-class air transportation normally would be contemplated for trips of longer than two hours' duration where the schedule was such as to permit an adjustment period of up to 24 hours between time of arrival and time of reporting for official duties. The question presented was whether it might not be more economical to allow first-class transportation and shorten the adjustment period. Governor Shepardson responded that the allowance for an appropriate adjustment

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period had been suggested in connection with overseas trips, and that this seemed appropriate. Then consideration had been given to longer trips within the country. Here again it appeared that some allowance should be made for an adjustment period between time of arrival and time of reporting for duty. However, a full 24-hour adjustment period might not be warranted, so the proposed policy statement spoke of an "appropriate adjustment period of up to 24 hours."

In the ensuing discussion Governor Daane expressed the view that first-class air travel might enable the traveler many times to arrive more rested and in better condition to represent the Board, and Chairman Martin commented that the more he had studied the question the more he felt that members of the Board and staff should be able to travel first class on any extended trips. Governor Mitchell expressed the opinion that the policy statement would provide the needed degree of flexibility, and Governor Shepardson verified that this was the intent of the wording of the first paragraph. Mr. Brill, speaking in the light of his experience with overseas official trips, also expressed the view that the policy statement would provide enough flexibility. Governor Shepardson observed that the wording of the statement was a matter of Board policy, and he suggested changes that could be made in the direction of further liberalization if that should be the Board's pleasure.

The discussion concluded with a suggestion by the Chairman that the proposed changes in the regulations be given further thought by the

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members, and it was understood that the discussion of them would continue at another meeting of the Board.

The meeting then adjourned.

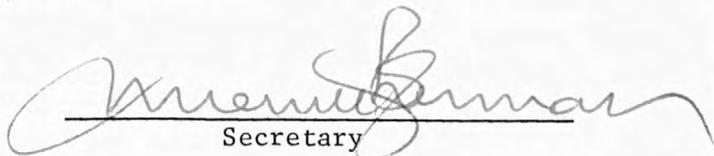
Secretary's Note: At 2:30 p.m., in the Conference Room adjoining the Board Room, the members of the Board (except Governor Maisel, who was out of town) received a presentation by the architectural firm of Harbeson Hough Livingston & Larson of alternative schemes for a proposed annex building to be located across C Street. It was understood that the materials shown by the architectural firm would remain in the room for review by the Board.

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

Letter to the Federal Reserve Bank of Richmond (copy attached as Item No. 3) approving the designation of Richard A. Marple as special assistant examiner.

Memorandum from the Division of Personnel Administration dated April 27, 1966, recommending that up to six persons, certified by the United States Employment Service as meeting the "economic needs standard," be employed in the Division of Administrative Services between May 1 and September 30, 1966, in furtherance of the Youth Opportunity Campaign, the terms of employment to be the same as those that prevailed in connection with the similar program in the summer of 1965.

Memorandum from the Division of Administrative Services recommending the appointment of Henry Howard Perkins as Laborer in that Division, with basic annual salary at the rate of \$3,507, effective the date of entrance upon duty.

  
Secretary

Item No. 1  
4/28/66

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 28, 1966

Board of Directors,  
The Detroit Bank and Trust Company,  
Detroit, Michigan.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by The Detroit Bank and Trust Company, Detroit, Michigan, of a branch at the north-east corner of the intersection of Newburgh and Palmer Roads, Nankin Township, Wayne County, Michigan, provided the branch is established within six months from the date of this letter.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,  
Assistant Secretary.

(The letter to the Reserve Bank stated that the Board also had approved a six-month extension of the period allowed to establish the branch; and that if an extension should be requested, the procedure prescribed in the Board's letter of November 9, 1962 (S-1846), should be followed.)

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

Item No. 2  
4/28/66

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 28, 1966

CONFIDENTIAL (FR)

Mr. W. Braddock Hickman, President,  
Federal Reserve Bank of Cleveland,  
Cleveland, Ohio. 44101

Dear Mr. Hickman:

As requested in your letter of April 19, 1966, the Board of Governors approves the following minimum and maximum salaries for the respective grades at the various offices in your District effective May 1, 1966:

Grade	Cleveland		Cincinnati Branch		Pittsburgh Branch	
	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum
1	\$ 3,146	\$ 4,238	\$ 2,782	\$ 3,718	\$ 2,925	\$ 3,939
2	3,237	4,407	2,951	3,965	3,081	4,095
3	3,458	4,706	3,172	4,264	3,224	4,394
4	3,744	5,070	3,406	4,654	3,523	4,693
5	4,043	5,447	3,692	5,018	3,796	5,122
6	4,420	5,980	4,043	5,525	4,173	5,655
7	4,810	6,526	4,459	6,097	4,615	6,253
8	5,278	7,150	4,940	6,656	5,135	6,929
9	5,759	7,865	5,434	7,306	5,655	7,605
10	6,292	8,632	5,941	8,047	6,240	8,424
11	7,020	9,594	6,578	8,918	6,968	9,386
12	7,852	10,738	7,371	9,945	7,852	10,738
13	8,814	11,934	8,229	11,115	8,814	11,934
14	9,815	13,247	9,152	12,428	9,815	13,247
15	10,868	14,690	10,244	13,832	10,868	14,690
16	11,947	16,315	11,492	15,548	11,947	16,315

Salaries should be paid to employees within the limits specified for the grades in which their respective positions are classified. All employees whose salaries are below the minimums of their grades as a result of the structure increase should be brought within appropriate ranges not later than August 1, 1966.

Mr. W. Braddock Hickman

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The Board also approves your request for a special Grade 16 maximum of \$19,500, where required to recruit and retain employees of the desired quality in professional level positions.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

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BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 3  
4/28/66

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 28, 1966

Mr. John L. Nosker, Vice President,  
Federal Reserve Bank of Richmond,  
Richmond, Virginia. 23213

Dear Mr. Nosker:

In accordance with the request contained  
in your letter of April 26, 1966, the Board approves  
the designation of Richard A. Marple as a special  
assistant examiner for the Federal Reserve Bank of  
Richmond.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.

