

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, September 16, 1952. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Szymczak
Mr. Evans
Mr. Vardaman
Mr. Mills
Mr. Robertson

Mr. Sherman, Assistant Secretary

Chairman Martin stated that he had received a letter from Mr. Merle E. Selecman, Secretary, The American Bankers Association, stating that he understood Governor Robertson would be the only member of the Board to attend the forthcoming convention of the association in Atlantic City and asking whether he (Governor Robertson) might be designated the Board's official representative so that he could be introduced as such at the opening General Session of the convention. The members of the Board indicated they would favor such a procedure, and it was understood that Chairman Martin would so inform Mr. Selecman.

Chairman Martin referred to a memorandum from Mr. Marget, Director of the Division of International Finance, dated September 2, 1952, stating that he had been invited to participate in a seminar to be held October 16-17, 1952, at Princeton University on the general topic, "A Reexamination of United States Commercial Policy," and requesting that he be authorized to accept the invitation. The

9/16/52

-2-

Chairman added that participation in the seminar would be confined to senior members of the banking and business community, the Government, and universities, and that each member would speak "off the record". Under the circumstances, he felt it would be desirable for Mr. Marget to participate.

Thereupon, Mr. Marget's request was approved unanimously with the understanding that he would be granted official leave to attend the seminar and that his expenses would be paid by the Board in accordance with the Board's travel regulations.

Chairman Martin stated that in view of the suspension of Regulation X, Real Estate Credit, question arose as to action to be taken by the Board regarding discontinuance of the Division of Selective Credit Regulation and transfer of personnel now employed in that Division.

During a discussion of the matter, Governor Robertson suggested, for reasons which he stated, that final action in discontinuing the Division of Selective Credit Regulation and transferring personnel be postponed for a few days and it was agreed unanimously that this procedure would be followed.

Governor Robertson referred to the discussion at the meeting of the Board on May 2, 1952, at which time he was authorized to explore with representatives of the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation the feasibility

9/16/52

-3-

of establishing a training school for new assistant examiners. The proposal had been discussed at subsequent meetings of the Board, including the joint meeting of the Board with the Presidents of the Federal Reserve Banks on June 19, 1952, and a memorandum had been addressed by Governor Robertson to the Board under date of June 20, 1952, reporting on plans that had been developed for the school by an interagency committee. On August 20, 1952, Governor Robertson had written to each of the Federal Reserve Banks stating that it had been decided to hold an Inter-Agency Bank Examination School for newly appointed assistant examiners, the school to be of five weeks' duration and to be held in Washington beginning September 15.

Governor Robertson commented that the school opened yesterday with 36 individuals enrolled, twelve from the Federal Reserve Banks, 12 from the regional offices of the Federal Deposit Insurance Corporation, and 12 from the regional offices of the Comptroller of the Currency, and with instructors from the three agencies. After reviewing briefly the arrangements for the school, Governor Robertson stated that as part of the course of instruction, it would be desirable to use the sum of \$2,000 in currency for training purposes in counting currency, that the currency would not be needed for that

9/16/52

-4-

purpose after September 22, 1952, and that while in use it would be in the control of Federal Reserve Examiner Glenn M. Goodman.

Following a discussion, upon motion by Governor Robertson, the Board authorized the Division of Administrative Services to make available during working hours each day when needed, beginning on September 16, 1952, and ending on or about September 22, 1952, the sum of \$2,000 in currency to be used for training purposes in the Inter-Agency Bank Examination School, with the understanding that while the currency was in use it would be in the control of Glenn M. Goodman, Federal Reserve Examiner, and that when it was not in use for the purpose specified and in any event at the end of each day it would be returned to the Fiscal Section of the Division of Administrative Services.

Before this meeting there had been circulated among the members of the Board a draft of letter prepared for Chairman Martin's signature addressed to the Presidents of all Federal Reserve Banks concerning a plan designed to strengthen the Board's field examining staff by having a group of about six men assigned from the Federal Reserve Banks to the Board's staff on a rotating basis.

In commenting on the proposal, Governor Robertson stated that the letter had been prepared primarily with a view to strengthening the Board's field examining staff but that he also believed it would be beneficial to the Federal Reserve Banks by augmenting their executive training programs. He felt that if the letter were mailed

9/16/52

-5-

to reach the Federal Reserve Bank Presidents this week it would provide a basis for discussion of the proposal at the time of the Presidents' Conference to be held in Washington next week, and he recommended that it be approved.

Upon motion by Governor Robertson, the letter prepared for Chairman Martin's signature was approved unanimously as follows:

"The Board of Governors is considering the inauguration of a plan designed to strengthen the Board's field examining staff - a plan which might incidentally serve to augment the Executive Training Programs of the Federal Reserve Banks.

"This plan has been brought about by the need for relieving the senior examiners, possessing broad experience and familiarity with Bank operations, of the necessity of devoting such an inordinately large proportion of their time to the direction and supervision of the more routine aspects of the work and the training of inexperienced personnel.

"We feel that a great many of the junior officers and key supervisory personnel of the various Banks possess the necessary ability and experience to perform this intermediate function. In the hope that we may be able to solve our problem through this source, we would appreciate your careful consideration of a program by which we might borrow a few such persons for limited periods of time.

"Our present thought is that three men be assigned to the Board's staff at the present time and three others a little later, with the ultimate aim of maintaining a group of about six on a rotating basis. It would be understood that each man recommended and selected for this work would serve for one year before returning to the Bank from which he was borrowed. As far as the administrative procedure is concerned, these men could be placed on our pay roll or remain on that of the lending Bank on a reimbursable basis, whichever suits the Bank.

9/16/52

-6-

"We would appreciate your submitting to us the names of one or more men whom you consider to be well qualified, so that the Board may make its selections and inaugurate this program as soon as possible. In order to facilitate final selection, please submit a brief resumé of the experience and qualifications of any man you recommend.

"We are principally concerned with obtaining men well versed in Bank operations, and it is not necessary that they have a knowledge of examining procedures. We would prefer that you recommend people who have had broad experience in the operations of the Bank and have proved themselves to be officer material. In this connection, persons with auditing experience are more helpful on the field staff, and experience with the field staff should be most beneficial to auditors.

"It is our feeling that a tour of duty with our examining staff would provide experience and a knowledge of System policies and practices which could hardly be duplicated by any other means, and for that reason should constitute a very definite contribution to the Banks' Executive Development programs."

Mr. Leonard, Director of the Division of Bank Operations, and Mr. Vest, General Counsel, entered the room at this point.

Governor Robertson referred to the discussions of an emergency banking program at the meetings of the Board on December 7, 1951 and January 17, 1952, and to the report made by Mr. Leonard to the Board on January 31, 1952, of the approach taken by the inter-agency group working on such plans for facilitating the continuance of commercial bank operations in the event of a war disaster. He stated that the inter-agency committee had completed

9/16/52

-7-

a report which it now recommended be approved tentatively by the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Board of Governors, and he called upon Mr. Leonard to review the contemplated procedures.

In his review of the program, concerning which a memorandum was sent to each member of the Board under date of August 8, 1952, Mr. Leonard emphasized that the committee had developed a plan on the assumption that an attack probably would be concentrated in localized areas and that the important need was to be able to place in operation a plan immediately which would facilitate the continued transaction or resumption of normal banking operations, recognizing that any plan prepared at this time would only be expected to take care of the immediate disruption that would result in the event of an enemy attack. He pointed out that the approach taken was permissive rather than mandatory, and that the program contemplated that, by executive order to be issued by the President, regulation of the operations of the Federal Reserve Banks would be placed with the Board of Governors and regulation of the operations of all other banks with the Secretary of the Treasury. He also said that Mr. Jennings, Deputy Comptroller of the Currency and a member of the inter-agency committee, had informed him that the Treasury

9/16/52

-8-

had informally approved the program. Mr. Leonard then described various features of the plan relating to supplies of currency, transfers of deposits, extensions of credit, payment of cash letters, and the like, reading some of the proposed provisions as drafted by the inter-agency committee.

Mr. Leonard went on to say that the inter-agency committee felt that the proposed program should now be discussed with officials of the National Association of Supervisors of State Banks in order to obtain their suggestions and seek their cooperation and perhaps with a few leading commercial bankers on a confidential basis, treating it as a tentative program concerning which suggestions would be appreciated. It also felt it might be desirable, following such discussions, to send a letter to the presidents of the larger commercial banks of the country asking what action they had taken for the protection of personnel, assets, and records and for the continuance of operations in the event of an attack.

Governor Robertson stated that he would not recommend that the matter be taken up with the individual supervisors of State banks or with the heads of the larger commercial banks at this stage but that he did feel it would be desirable to discuss it with a few individual bankers, including possibly the incoming president of the

9/16/52

-9-

American Bankers Association and the incoming heads of the State and National divisions of that Association, with the Presidents of the Federal Reserve Banks, and with the standing committee consisting of a representative from each of the four bank supervisory entities (i.e., Board of Governors, Comptroller of the Currency, Federal Deposit Insurance Corporation, and National Association of Supervisors of State Banks).

Governor Vardaman suggested that the matter be taken up with the Federal Advisory Council for the purpose of obtaining any suggestions which members of the Council felt would be helpful in developing a program that would be of assistance to the banks and the business community in the event of an attack, and Governor Robertson agreed with this suggestion with the understanding that the Federal Advisory Council would be substituted for the individual bankers and representatives of the American Bankers Association whom he had first suggested.

Following a discussion, by unanimous vote, the Board approved (1) the tentative program outlined by Mr. Leonard and (2) Governor Robertson's recommendation that it be discussed on a confidential basis with the Federal Advisory Council, the Federal Reserve Bank Presidents, and the standing committee of the four bank supervisory entities.

Mr. Leonard withdrew from the meeting at this point.

9/16/52

-10-

Governor Evans said that he had received a letter from Mr. Powell, President of the Federal Reserve Bank of Minneapolis, dated September 9, 1952, asking for an informal opinion as to whether Mr. Archie Jackson, President of the St. Paul Fire and Marine Insurance Company, St. Paul, Minnesota, would be eligible for election as a Class B director of the Federal Reserve Bank of Minneapolis. Governor Evans referred to the Board's ruling on July 2, 1925 (X-4373, FRLS 3095) that a person whose sole occupation is that of an officer of a life insurance company is not eligible for election as a Class B director, stating that he would be inclined to indicate to Mr. Powell that the president of a fire insurance company would not be eligible for election as a Class B director since, in his opinion, such an individual would not be actively engaged in commerce, agriculture, or some other industrial pursuit, at the time of his election. He also said that if the member banks wanted to elect the president of a fire insurance company as a Reserve Bank director it should be done as a Class A director, i.e., as a representative of the stockholding banks rather than as one engaged in commerce, industry, or agriculture.

Chairman Martin expressed the view that it was unfortunate in some respects that the System was deprived of the services of

9/16/52

-11-

officers or directors of insurance companies since they represented a large business and were not likely to be elected as Class A directors of the Federal Reserve Banks.

At Chairman Martin's request, Mr. Vest reviewed the reasons for the Board's ruling in 1925, stating that a person whose sole occupation was that of an officer, director, or employee of a life insurance company was not then considered eligible for election as a Class B director because (a) he was not actively engaged in "commerce, agriculture, or some other industrial pursuit" within the meaning of that language as used in the Federal Reserve Act, and, (b) it was contrary to the policy of Congress for a person so closely identified with the financial interests to be permitted to serve as a Class B director of a Federal Reserve Bank. Since that time, Mr. Vest said, the Supreme Court in *United States v. South-Eastern Underwriters Association et al*, 322 U.S. 533, had ruled that the insurance business was "commerce", and that ruling disposed of the reason why, as a legal matter, the Board had taken the position that an insurance company officer was not eligible to serve as a Class B director. As to the other reason, Mr. Vest expressed the opinion that if the Board still felt that it was contrary to the intent of the Congress for a person who was engaged

9/16/52

-12-

in a business of lending to serve as a Class B director, it could so rule and this would probably dispose of the question raised by Mr. Powell.

There followed a general discussion of the question whether the position taken by the Board in 1925 and maintained since then should be modified. In the course of the discussion, Chairman Martin stated that he felt it would not be desirable to change the rule without full study of the question, and he suggested that Governor Vardaman look into the matter and report back to the Board.

Chairman Martin's suggestion was approved unanimously with the understanding that Governor Evans would inform Mr. Powell that the Board had discussed the matter but that it wished to explore the question further before determining whether the 1925 ruling should be followed in this situation.

Mr. Vest withdrew from the meeting at this point and Mr. Young, Director of the Division of Research and Statistics, entered.

Governor Mills stated that under date of July 23, 1952, a formal contract had been received from the Survey Research Center of the University of Michigan relating to the Eighth Annual Survey of Consumer Finances as authorized by the Board on June 9, 1952, that following receipt of the contract question had been raised as

9/16/52

-13-

to the publication policy of the Survey Research Center in connection with the results of certain interim surveys which it conducted either at its own expense or for other sponsors relating to economic attitudes and expectations, and that he had discussed the matter of publication of such results with Messrs. Likert and Campbell of the Survey Research Center since some of their releases had been confused with the results of the Surveys of Consumer Finances which the Center conducted for the Board. Governor Mills went on to say that in a letter from Mr. Likert dated September 8, 1952, assurance was given that, to avoid confusion and possible embarrassment to the Board, the Survey Research Center proposed that for the next year on a trial basis it would not issue any "spot news" release based on "interim" surveys either generally or to selected newspapers and weekly magazines, and that if it appeared especially important for national welfare that a particular item of information be given immediate publicity, the Center would not release it without previously consulting the Board and obtaining its approval. In view of this understanding, Governor Mills said, he would recommend that the contract be approved in the form submitted by the Survey Research Center under date of July 23, 1952.

9/16/52

-14-

Governor Mills' suggestion was approved, Mr. Vardaman voting "no" because, as he had indicated in the past, he does not approve having the Survey of Consumer Finances made by the Survey Research Center.

At this point Mr. Young withdrew from the meeting and the following additional actions were taken by the Board:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on September 15, 1952, were approved unanimously.

Letter to Mr. Latham, Vice President, Federal Reserve Bank of Boston, reading as follows:

"Reference is made to your letter of August 29, 1952, submitting the request of the Sanford Trust Company, Sanford, Maine, for approval of its proposed investment in bank premises under the provisions of Section 24A of the Federal Reserve Act.

"According to the information submitted it appears that the trust company proposes to purchase the building in which it is located for the consideration of \$206,500; that \$106,500 of the purchase price is to be charged off and that the carrying value of the premises will be \$100,000. It is noted also that the trust company proposes to increase its capital from \$100,000 to \$150,000, and, therefore, the carrying value of the bank premises will be less than the amount of capital.

"As indicated in its letter dated April 30, 1951, FRIS #6851, the Board has given its approval in all cases where a bank's investment in bank premises is reduced simultaneously through a special charge off to an amount not

9/16/52

-15-

"exceeding its capital stock provided the Federal Reserve Bank is satisfied that the charge off is justified in view of the condition of the bank and other pertinent circumstances. Inasmuch as you are of the opinion that the proposal of the Sanford Trust Company is reasonably sound and recommend its approval, it appears that further specific approval by the Board of Governors is unnecessary."

Approved unanimously.

Letter to The Charleston National Bank, Charleston, Illinois, reading as follows:

"The Board of Governors of the Federal Reserve System has given consideration to your supplemental application for fiduciary powers, and grants you authority to act, when not in contravention of State or local law, as registrar of stocks and bonds, assignee, receiver, or in any other fiduciary capacity in which State banks, trust companies, or other corporations which come into competition with national banks are permitted to act under the laws of the State of Illinois. The exercise of these powers, in addition to those heretofore granted to act as trustee, executor, administrator, guardian of estates, and committee of estates of lunatics, shall be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

"This letter will be your authority to exercise the fiduciary powers granted by the Board pending the preparation of a formal certificate covering such authorization, which will be forwarded to you in due course."

Approved unanimously, for
transmittal through the Federal
Reserve Bank of Chicago.

9/16/52

-16-

Letter to the Board of Directors, Citizens Banking Company,
Anderson, Indiana, reading as follows:

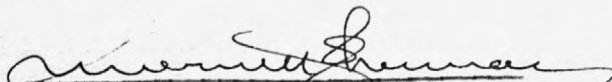
"Pursuant to your request submitted through the Federal Reserve Bank of Chicago, the Board of Governors approves the establishment and operation of a branch at the southwest corner of 37th and Main Streets, Anderson, Indiana, by the Citizens Banking Company, provided such branch is established within six months from the date of this letter."

Approved unanimously, for
transmittal through the Federal
Reserve Bank of Chicago.

Letter to the Board of Directors, Jackson City Bank and
Trust Company, Jackson, Michigan, reading as follows:

"Pursuant to your request submitted through the Federal Reserve Bank of Chicago, the Board of Governors approves the establishment and operation of a branch at 1708-12 East Michigan Avenue, Jackson, Michigan, by the Jackson City Bank and Trust Company, provided such branch is established prior to December 31, 1952."

Approved unanimously, for
transmittal through the Federal
Reserve Bank of Chicago.


Assistant Secretary.