

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, October 20, 1952. The Board met in the Board Room at 10:00 a.m.

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

Mr. Carpenter, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Thurston, Assistant to the Board
Mr. Riefler, Assistant to the Chairman
Mr. Sprecher, Assistant Director, Division
of Personnel Administration
Mr. Fauver, Assistant to Mr. Thurston
Mr. Molony, Assistant to Mr. Thurston

Chairman Martin referred to a memorandum addressed to him under date of October 13, 1952, by Mr. Thurston, to which was attached (1) a sample copy of a digest reviewing economic and monetary conditions and (2) a draft of letter to the directors of the Federal Reserve Banks and branches transmitting the digest and inquiring whether the directors would be interested in receiving a document of this type from time to time.

Mr. Thurston's memorandum stated that the sample digest had been prepared for the consideration of the Board as a result of discussions of a program which might be developed looking toward closer contact between the Board and the Reserve Bank directors. It also stated that such digests, if favored by the Board, would not be distributed according to any set time schedule.

In a discussion of the proposal, it was explained that the sample

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digest was based on material prepared by the Division of Research and Statistics and presented at the meeting of the Federal Open Market Committee on September 25, 1952, that it was contemplated that similar material might be used as the basis for digests prepared for actual distribution to the directors, but that the pattern of the digests might be changed from time to time as circumstances dictated, keeping in mind that they would be distributed only when developments occurred which would seem to be of unusual importance or interest.

Chairman Martin stated that the proposal represented but one facet of a program which might be developed for keeping the directors informed of current developments in System policies and operations and for enabling the directors better to understand and discharge their duties. He said that no decision would be made at this meeting but that the sample digest and proposed transmittal letter would be circulated among the members of the Board for study with a view to further consideration at a subsequent meeting.

Reference also was made to the statement concerning the duties and responsibilities of directors of Federal Reserve Banks which is sent by the Board to each newly appointed Reserve Bank head office director. At Chairman Martin's request, Mr. Carpenter commented on the origin of the statement and on the two revisions of the statement since it was first prepared.

After discussion, it was agreed, at Chairman Martin's suggestion,

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that the statement should be referred to Mr. Thurston for possible revision in the light of the Board's desire to promote a better understanding of the place of Reserve Bank directors in the System and the functions which they might be expected to perform.

There was a brief discussion of the ways in which the services of the Reserve Bank economists who serve as associate economists on the Federal Open Market Committee might best be utilized, Mr. Riefler suggesting the possibility of bringing them to Washington in advance of Committee meetings to assist in the preparation of material for the meetings and thus affording them a better insight into open market problems which they might use as the basis for discussions with the management of their respective institutions. It was also suggested that it would be desirable for some member of the staff of each Bank to become thoroughly conversant with the technical problems involved in the operation of the System Open Market Account.

Chairman Martin then referred to two letters addressed to Mr. Sprecher which had been brought to his attention. The first, dated October 2, 1952, was from Mr. Samuel B. Danley, Chairman of the Civil Rights Committee of the Government and Civic Employees Organizing Committee of the Congress of Industrial Organizations, and requested copies of the procedure used by the Board in handling complaints filed under Executive Order No. 9980. The second, dated October 14, 1952, was from Mr. Ralph A. Rose,

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Director of Job Opportunities Programs of the American Friends Service Committee, Inc., Philadelphia, Pennsylvania, and contained comments on a previous conversation between Mr. Rose and Mr. Sprecher regarding the treatment of minority groups under the employment policies of the Federal Reserve System.

Regarding the first letter, Mr. Sprecher said that there had been no contact with Mr. Danley prior to receipt of the letter but that it was the opinion of Mr. Allen, Director, Division of Personnel Administration, and himself that the request should be complied with.

Regarding the communication from Mr. Rose, Mr. Sprecher stated that before coming to see him, Mr. Rose had had discussions with the personnel officers of some of the Federal Reserve Banks including Philadelphia and Dallas, that he appeared to be of the opinion that the Reserve Banks could take a stronger position of leadership in the use of minority groups, and that, as indicated in the letter, he suggested that the matter be explored at the next System personnel conference or that the Board write a letter to the Reserve Banks on the subject. Mr. Sprecher said that he and Mr. Allen believed that the first of the two suggested courses would be preferable.

After discussion, during which members of the Board expressed the view that ordinarily the practice should be followed of explaining the System's personnel policies fully to all interested parties, the two letters were referred to Mr. Thurston for consideration of the replies which should be made, particularly from the public relations standpoint, and recommendation to the Board in that connection.

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At this point Messrs. Thurston, Riefler, Sprecher, Fauver, and Molony withdrew from the meeting.

There was presented a request from Mr. Youngdahl, Assistant Director, Division of Research and Statistics, covering authority for travel to New York, New York, on October 14, 1952, to observe developments in the Government securities market.

Approved unanimously, with the understanding that in the future the Chairman would be authorized to approve on behalf of the Board travel by members of the Board's staff to New York for purposes incident to System open market problems.

The following additional actions were taken by the Board:

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

Minutes of actions taken by the Board of Governors of the Federal Reserve System on October 16 and 17, 1952, were approved and the actions recorded therein were ratified unanimously.

Memorandum dated October 17, 1952, from Mr. Bethea, Director, Division of Administrative Services, recommending that the resignation of Ileen C. Shepherd, Printing Clerk in that Division, be accepted to be effective, in accordance with her request, at the close of business October 13, 1952.

Approved unanimously.

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Letter to Mr. Clarke, Secretary, Federal Reserve Bank of New York,
reading as follows:

"Reference is made to your letter of October 10, 1952, advising that your Board of Directors has granted leave of absence with pay to Mr. Howard D. Crosse, Assistant Vice President, for an aggregate period of not more than two weeks and to Mr. Aloysius J. Stanton, Chief, Disbursing Division, Accounting Department, for a period not in excess of six weeks, to enable them to participate in the establishment of a clearing arrangement in Puerto Rico.

"It is noted that the Government Development Bank for Puerto Rico is willing to undertake responsibility for the travel and subsistence expense of these men.

"The Board of Governors interposes no objection to the arrangements with respect to Messrs. Crosse and Stanton as described in your letter."

Approved unanimously.

Letter to The First National Bank of Hanover, Hanover, Pennsylvania,
reading as follows:

"The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers, and grants you authority, effective if and when the proposed consolidation of the Hanover Trust Company with your bank is consummated and you commence business under the title of First National Bank and Trust Company of Hanover, to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, 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 Pennsylvania. The exercise of all such rights 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 serve as authority for the First National Bank and Trust Company of Hanover, Pennsylvania, to

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"exercise the fiduciary powers granted by the Board pending the preparation of a formal certificate covering such authorization, which will be forwarded to you after the consolidation becomes effective."

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



Secretary.