

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, November 13, 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. Carpenter, Secretary  
Mr. Kenyon, Assistant Secretary  
Mr. Allen, Director, Division of Personnel  
Administration

There was presented an authorization covering travel by Chairman Martin to New York, New York, from November 14 through November 16, 1952, for the purpose of discussing with representatives of the Federal Reserve Bank of New York the study of the Government securities market being conducted by a special committee of the Federal Open Market Committee.

Approved unanimously.

Chairman Martin referred to a draft of letter to Mr. Wotawa, Vice President of the Federal Reserve Bank of St. Louis, reading as follows:

"This refers to your letter of October 27 regarding the penalty of \$47.53 incurred by the Kirkwood Bank, Kirkwood, Missouri, on a deficiency in its reserves for the period ended October 15, 1952.

"It is noted that the deficiency was attributable to the subject bank's inadvertently mailing, without postage, a \$200,000 cash item intended for messenger delivery to the Federal Reserve Bank, with the result that the item was returned to the bank by the post office, thus delaying reserve account credit for a few days; and that the bank has not been assessed a penalty for deficient reserves since becoming a member in 1943.

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"In the circumstances, the Board authorizes your Bank to waive the assessment of the penalty in this case."

The letter had been placed in circulation among the members of the Board and Governor Vardaman, in a memorandum to Chairman Martin dated November 3, 1952, raised the question whether the Board should not authorize the Federal Reserve Banks to waive penalties of this nature up to \$100, \$500, or some other stated amount. The memorandum suggested that if the Board granted such authorization, the Federal Reserve Banks could be asked to report annually to the Board cases of penalties waived.

During a discussion of this matter reference was made to the Board's outstanding instructions to the Federal Reserve Banks relating to the waiver of penalties for deficiencies in reserves of member banks (F.R.L.S. #6120) and it was suggested that these instructions might be reviewed by the staff for the purpose of making a recommendation to the Board as to whether they should be liberalized.

Thereupon, the letter to Mr. Wotawa was approved unanimously, with the understanding that appropriate members of the staff would review the outstanding instructions to the Federal Reserve Banks and, in consultation with Governor Robertson, submit a recommendation to the Board.

Governor Evans commented on his recent visit to the Memphis Branch of the Federal Reserve Bank of St. Louis, and there followed a

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general discussion of the duties and functions of Federal Reserve branch directors, the scope of activities conducted at the branches, and the degree of supervision exercised over the operations of the branches by the head offices. No decisions were reached on the matters discussed.

Governor Mills stated that a copy of the form of questionnaire proposed to be used by the University of Michigan Survey Research Center in connection with the 1953 Survey of Consumer Finances had been sent to each member of the Board for review and that Governor Vardaman, in addition to his objection to the whole plan for the survey, had specifically objected to the form in general, and particularly because the form provided for the securing of the name of the person being interviewed. He said that in order to obtain certain desired information, the Center planned to re-interview a percentage of the persons contacted during the 1952 Survey, that in such cases the name of the person, along with additional data, would be furnished to the interviewer, but that the names of the other persons interviewed in the 1953 Survey would not be requested or recorded. Governor Mills went on to say that the questionnaire had been revised in the light of Governor Vardaman's comment, and he recommended that the revised form be approved.

Governor Vardaman said that even if the names of the respondents were not included, he could not vote to approve the questionnaire because

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of his objection in principle to the method of conducting the Consumer Finances Surveys. He also said that it was his understanding that the Board of Governors used less than one-third of the information called for by the form and that the Survey Research Center reserved the right to use that particular information and all other information in making other studies for other clients, and he said he did not approve any such procedure or expenditure on the part of the Board.

Thereupon, the questionnaire was approved, Governor Vardaman voting "no" for the reasons which he had presented.

Chairman Martin stated that subsequent to the Board's action of October 23, 1952, designating Mr. Franklin J. Lunding as Chairman and Federal Reserve Agent at the Federal Reserve Bank of Chicago for the year 1953, a letter was received from Mr. Lunding in which he expressed his desire to resign as a Class C director of the Chicago Bank, effective December 31, 1952.

Following discussion, the Board by unanimous vote:

(1) Accepted Mr. Lunding's resignation, effective December 31, 1952.

(2) Rescinded its action of October 23, 1952, appointing Mr. John S. Coleman as Deputy Chairman of the Federal Reserve Bank of Chicago for the year 1953.

(3) Designated Mr. Coleman as Chairman and Federal Reserve Agent at the Chicago Bank for the year 1953 and fixed his compensation on the uniform basis for the same position at all Federal Reserve Banks, i.e.,

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the same amount as the aggregate of the fees payable during the same period to any other director for attendance corresponding to his at meetings of the board of directors, executive committee, and other committees of the board of directors. This action was taken with the understanding that Mr. Coleman would not be notified of his appointment as Class C director and designation as Chairman and Federal Reserve Agent until after a letter had been sent to Mr. Lunding accepting his resignation.

In a discussion of who might be available to succeed Mr. Caldwell as Chairman and Federal Reserve Agent at the Federal Reserve Bank of Kansas City, Governor Robertson suggested that the Board give consideration to Mr. Cecil Puckett, Dean of the College of Business Administration of the University of Denver, Denver, Colorado, who is currently serving as Deputy Chairman of the Kansas City Bank. There was also a discussion of the desirability of appointing Mr. Max A. Miller, of Omaha, Nebraska, currently a Class B director, as a Class C director for the term beginning January 1, 1953. It was the consensus, however, that it would be preferable not to select Class C directors from the ranks of the Class B directors of a Federal Reserve Bank and it was suggested that this appointment might be given to Mr. Fred S. Wallace, a farmer, of Gibbon, Nebraska, who is presently serving as a Board appointee on the board of directors of the Omaha Branch.

It was agreed that Mr. Allen should send to the members of the Board available information with respect to Messrs. Puckett and Wallace.

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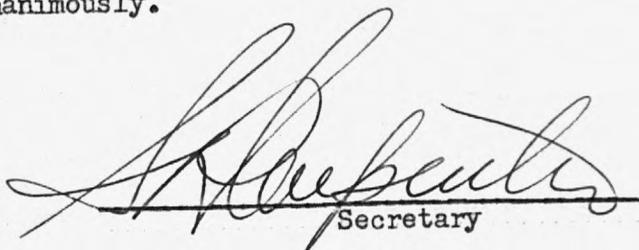
Reference was made to the Board's action of October 23 requesting that further information be developed with regard to possible appointments to the boards of directors of the Pittsburgh, Baltimore, Charlotte, Nashville, Memphis, Oklahoma City, Omaha, El Paso, Los Angeles, Portland, and Salt Lake City branches for terms beginning January 1, 1953.

Mr. Allen summarized briefly the information which had been accumulated to date and it was understood that recommendations would be presented to the Board for its consideration as soon as all of the desired information was available.

At this point Mr. Allen 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 November 7, 1952, were approved unanimously.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on November 10 and 12, 1952, were approved and the actions recorded therein were ratified unanimously.

  
Secretary