

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, October 26, 1953. 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. Thomas, Economic Adviser to the Board
Mr. Young, Director, Division of Research and Statistics
Mr. Solomon, Assistant General Counsel

The following requests for travel authorization were presented:

<u>Name and title</u>	<u>Duration of travel</u>
Ralph A. Young, Director, Division of Research and Statistics	October 30-31, 1953

To travel to Princeton, New Jersey, to attend the National Bureau of Economic Research Conference on Policies to Combat Depression.

Ralph A. Young, Director, Division of Research and Statistics	November 19, 1953
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To travel to New York, New York, to attend the semi-annual meeting of the Board of Trustees of the Committee for Economic Development.

Lowell Myrick, Assistant Director, Division of Bank Operations	November 10, 1953
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To travel to New York, New York, to attend, as associate member, a meeting of the Presidents' Conference Subcommittee on Electronics.

Approved unanimously, with the understanding that if his duties at the Board made it impossible for

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Mr. Young to make the above-mentioned trip to Princeton, New Jersey, Mr. Garfield, Adviser on Economic Research, or Mr. Williams, Assistant Director, Division of Research and Statistics, was authorized to attend the conference as Mr. Young's alternate.

At this point Messrs. Allen, Director, Division of Personnel Administration, and Noyes, Assistant Director, Division of Research and Statistics, entered the room.

Prior to this meeting there had been sent to the members of the Board, at the request of Governor Mills, biographical information on possible appointees as Class C directors of the Federal Reserve Bank of San Francisco for terms beginning January 1, 1954, to succeed Chairman Wilbur and Deputy Chairman Wallace, both of whom will leave the board of the San Francisco Bank at the end of the current year under the Board's policy providing for the rotation of Class C directors.

Governor Mills, who had recently made a trip to the West Coast to discuss possible appointees to the San Francisco board, stated that he felt that the person designated as Chairman of the Bank for the year 1954 probably should be from the San Francisco area, while the person designated as Deputy Chairman might be from southern California to provide a satisfactory geographical representation. He proposed that the Board give an indication of perhaps three or four persons from the San Francisco area and two or three from southern California who would appear to be acceptable so that Chairman Wilbur and Deputy Chairman Wallace

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might make further inquiry as to the qualifications and availability of the persons indicated.

In discussing the possible appointees, Governor Mills commented that Mr. Y. Frank Freeman, Vice President and Director, Paramount Pictures, Inc., Los Angeles, California, had served at one time as a member of the board of directors of the Los Angeles Branch and that this experience, along with other qualifications, might make Mr. Freeman a good choice as Deputy Chairman, particularly if a Chairman were chosen who had not had experience as a Reserve Bank or branch director.

There was general agreement on the part of the members of the Board that the appointment of Mr. Freeman as a Class C director and his designation as Deputy Chairman would be desirable. It also was felt that several of the other persons mentioned appeared to be well qualified for appointment, including Messrs. Kenneth K. Bechtel, Vice President, Bechtel Corporation, San Francisco, California; Frederic B. Whitman, President, Western Pacific Railroad Company, San Francisco; Edward C. Lipman, President, Emporium Capwell Company, San Francisco; A. H. Brawner, Chairman, W. P. Fuller & Company, San Francisco; and Joseph A. Moore, Jr., President, Moore Dry Dock Company, San Francisco.

At the conclusion of the discussion, it was understood that Governor Mills would review the situation with Chairman Wilbur in the light of the comments at this meeting and suggest that the Board would be glad to have his specific recommendations.

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Governor Szymczak stated that Mr. Neal, First Vice President of the Federal Reserve Bank of Boston, who is serving temporarily as Director of Research of the Commission on Foreign Economic Policy, visited him this morning to explain his problem in building up a capable staff that could make a substantial contribution and that, in this connection, Mr. Neal had inquired whether the Board would make available to the Commission the services of Mr. Solomon, Economist in the Division of International Finance, on a part-time or full-time basis, as needed, for a period of about one and one-half months, beginning as soon as possible, in order that Mr. Solomon might make certain studies in the field of the balance of payments and related matters. Mr. Neal stated, Governor Szymczak said, that the Commission would be willing to put Mr. Solomon on its pay roll for the period during which he was engaged in this work, or the Board might continue to pay Mr. Solomon's salary. Governor Szymczak added that Mr. Neal also indicated that at a later date he might make a request for the services of some member of the Board's staff at a higher level but that he had nothing specific in mind at present.

It was Governor Szymczak's recommendation, in which he stated that the Division of International Finance concurred, that the Board make available Mr. Solomon's services as requested by Mr. Neal.

Governor Szymczak's recommendation was approved unanimously, with the understanding that Mr. Solomon

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would be continued on the Board's pay roll on a nonreimbursable basis during the time he was engaged in work for the Commission on Foreign Economic Policy.

Prior to this meeting there had been sent to the members of the Board copies of a memorandum dated October 20, 1953, from Messrs. Thurston and Young, making the following recommendations with respect to a revised edition of the booklet, "The Federal Reserve System--Its Purposes and Functions", which had been prepared pursuant to authorization given by the Board on November 26, 1952:

- (1) That an Invitation for Bids covering the printing and binding of the book be extended to qualified printers.
- (2) That 200,000 copies be printed. (It is estimated that this number will be adequate for a three-year period, including the proposed initial distribution.)
- (3) That all copies be bound in a heavy paper cover.
- (4) That copies be distributed without charge upon request, including reasonable quantity requests for classroom use.
- (5) That copies of the publication with cards enclosed, reading "With the Compliments of the Board of Governors of the Federal Reserve System," be distributed initially according to the attached schedule. (This schedule follows the general pattern of the initial distribution for the 1947 edition except in the case of commercial banks. With respect to the 1947 edition, a card was sent to individual banks inquiring if a complimentary cloth-bound copy was desired; it is proposed to send the new edition to banks without any previous inquiry as to their desire to receive the

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publication. This procedure appears preferable in view of (1) the high percentage of cards returned in 1947 and (2) the fact that postage would now be required for sending both an inquiry card and the publication itself.)

The memorandum stated that the total cost for printing and binding the booklet and for mailing copies in accordance with the recommended initial distribution schedule was estimated at approximately \$51,000.

Governor Mills stated that he had reviewed the final draft of the booklet, that he considered it satisfactory, and that he would recommend that the booklet be printed.

Governor Robertson said that although he would vote to approve the recommendations, he had not yet had an opportunity to review the final draft of the revised booklet and would like to do so before arrangements for printing were completed.

Question was raised regarding the extent to which the draft had been cleared with the Federal Reserve Banks, particularly in view of the assignment given by the Presidents' Conference to a subcommittee to consider the preparation of a laymen's booklet on the Federal Reserve System. Governor Mills and Mr. Young commented on the steps which had been taken to obtain suggestions from the Reserve Banks on the revision of the System booklet and indicated that the Presidents' Conference subcommittee was aware of the project. In the circumstances, they felt that no further clearance with the Reserve Banks was called for.

Thereupon, the recommendations contained in the memorandum from Messrs. Thurston and Young were approved unanimously.

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Prior to this meeting there had been circulated among the members of the Board a draft of letter to Mr. Erickson, Chairman of the Presidents' Conference Committee on Collections and Accounting, reading as follows:

In response to your letter of October 6, 1953, the Board has designated Messrs. Lowell Myrick, Charles Molony, and Guy E. Noyes to serve as members of the ad hoc subcommittee being created for the purpose of reviewing the accounting procedures of the Federal Reserve Banks with respect to personnel, research and bank and public relations, as proposed by the Coleman Committee.

Approved unanimously.

At this point Governor Vardaman joined the meeting and, upon being informed of the actions taken, stated that he concurred in them.

Governor Vardaman then inquired as to the progress being made on the statement being drafted by Mr. Molony, Assistant to Mr. Thurston, regarding the sources of Federal Reserve earnings. After a brief discussion, he requested that the matter be placed on the agenda for consideration at a meeting of the Board next week.

Prior to this meeting there had been sent to the members of the Board copies of a memorandum dated October 9, 1953, from Messrs. Young, Director; Williams, Assistant Director; and Jones, Chief, Consumer Credit and Finances Section, Division of Research and Statistics, concerning the Survey of Consumer Finances. The memorandum called attention to the widespread and continuously increasing interest in the

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Survey and the role of the consumer in the economy, which made it seem desirable to reexamine the work to ascertain whether it was being carried on in the most efficient and productive manner. It noted that the work of the Survey could be divided into two parts: (1) the intentions and attitudes data, which have been generally regarded as the primary survey information throwing light on consumer demand in the near future, and (2) the income, expenditures, asset, and liability data which have provided an indication of the distribution and changes in distribution of these aggregates among the population. After discussing the measurement of attitudes and buying plans by means of the Surveys of Consumer Finances, the value of such data, and expressions from users to the effect that survey results should be available more frequently, the memorandum suggested that the Board might take steps to secure survey data regarding consumer attitudes and intentions not only in January and February, but also in June and October, by means of two interim surveys. Under such a program, consumer buying plans and intentions would become known in March, July, and November. The cost of the two interim surveys would bring the estimated cost of the total program up from the present \$150,000 to about \$225,000 per year, the two interim surveys each using about half as large a sample as the annual survey and a much simpler questionnaire, with major emphasis on buying intentions and attitudes. The memorandum suggested a possible alternative to this arrangement and discussed the

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possibility that funds might become available from other sources, including the Bureau of the Census. However, in view of the lack of definite plans on the part of other parties to conduct the surveys, it was considered advisable that the Board proceed with the work. After discussing possible changes in survey methods in the interest of economy, the memorandum outlined the financial data secured through the Surveys of Consumer Finances and suggested that, while the collection of detailed financial information each year was desirable, it did not appear to be so necessary as further work on the attitudinal and intentions data.

In conclusion, the memorandum mentioned the possibility of experimentation with a view to securing through the Survey of Consumer Finances information concerning unincorporated businesses and the attitudes and plans of businessmen and bankers. It indicated that if the Board desired to procure survey data concerning unincorporated businesses, the problem apparently should be approached quite separately from the Survey of Consumer Finances and that, with respect to attitudes and expectations of businessmen, the Board perhaps could make use of data that might become available from other sources.

At the request of the Board, Mr. Young commented in some detail on the problems developed in the memorandum, following which Governor Mills stated that he had been impressed by the substantial, and increasing, public interest in the surveys and that, while the cost increase

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which would be involved in the proposal to make two interim surveys per year deserved serious consideration, he felt that it would be desirable to proceed on that basis for 1954 as an experiment since it was quite clear that no other agency would be prepared to undertake to make such data available. He pointed out, however, that a question of policy might arise with respect to publication of the results of surveys of consumer attitudes and buying plans if they indicated that the consumer outlook was pessimistic.

During a discussion of various aspects of the matter, Governor Vardaman reviewed the objections which he had raised at times in the past to the conducting of the surveys through the University of Michigan Survey Research Center. He stated that he was in favor of making available proper information of this kind but that in view of the importance attached to such surveys, he felt that they should be conducted by the System itself rather than through an outside agency over which the Board did not have control. In the circumstances, he said, he would not vote in favor of any plan to continue or expand the surveys through contract with the University of Michigan Survey Research Center or any other outside organization although he would favor continuing them if they were conducted by the System directly, even though the cost might be as much as \$500,000 or \$750,000.

The discussion then turned to a review of the operations performed by the Survey Research Center and the controls over those operations

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exercised by the Board. The comments made were to the effect that the development of the survey questionnaire and the analysis and publication of the results of the surveys remained with the Board while the contribution of the Survey Research Center was principally in the area of providing facilities for sampling on a scientific basis including expert interviewers who are employed by the Center on other surveys as well as the one conducted for the Board. There was also a discussion of the difficulties involved in an undertaking by the Board to conduct the surveys with a staff which it would organize for the purpose.

Mr. Young then commented on the plans being made to make the results of the principal and interim surveys available more promptly in 1954 and expressed the belief that this probably could be done without additions to the Board's staff. He added, however, that plans were being made to add to the staff within the near future an expert in sampling techniques and he suggested that, looking to the time when it might be desirable for the System to conduct the Surveys of Consumer Finances itself, it might be of benefit to set up a System committee to explore what kind of an organization would be required at the Board and the Federal Reserve Banks should a decision be made to move in that direction.

Governor Vardaman indicated that he would favor the establishment of such a System committee.

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Following further discussion, approval was given to the plans for the 1954 Survey of Consumer Finances on the basis suggested in the memorandum from Messrs. Young, Williams, and Jones, with the understanding that the total cost would approximate \$225,000 and that a suitable contract would be drawn up with the University of Michigan Survey Research Center and submitted for the approval of the Board. On this action Governor Vardaman voted "no" for the reasons which he had stated.

Reference was made to a memorandum from Mr. Young dated October 17, 1953, which had been circulated among the members of the Board, recommending that authorization be given for entering into a contract with the Bureau of the Census, at a cost estimated at approximately \$13,500 to obtain information from the Bureau's 1953 survey of retail trade concerning charge account and instalment receivables held by retail dealers. The memorandum also recommended that continuing arrangements with the Bureau of the Census in subsequent years at approximately the same rate be authorized.

Mr. Young made a statement, at the request of Governor Vardaman, to the effect that the information obtained from the Bureau of the Census from the Bureau's 1952 survey of retail trade, pursuant to a contract with the Bureau which the Board authorized on October 30, 1952, indicated that the arrangement was satisfactory, that it was preferable to the conducting by the System of a retail credit survey, and that the information

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was obtained at a lesser cost.

Thereupon, the recommendations contained in Mr. Young's memorandum were approved unanimously.

Reference was made to a memorandum from Mr. Young dated October 9, 1953, which had been circulated among the members of the Board prior to consideration at a meeting, stating that Mr. Schwartz, Economist in the Business Conditions Section, Division of Research and Statistics, had been asked by the McGraw-Hill Publishing Company to comment on the development and proposed description of thirteen indexes of production for selected industries as compiled by that company for publication in various trade journals. The memorandum stated that Mr. Schwartz estimated that the required working time would not exceed two week ends, that the work involved would not interfere with Mr. Schwartz's regular duties, that he would receive a fee of \$250 from the McGraw-Hill Publishing Company, and that neither the Board nor Mr. Schwartz would be publicly involved in any way, either directly or indirectly.

In response to questions raised by Governor Vardaman, Mr. Young stated that Mr. Schwartz would not prepare any article for publication, but merely would review the methods used by the McGraw-Hill Publishing Company in compiling their indexes of production.

Thereupon, the undertaking of the assignment by Mr. Schwartz on the basis indicated in Mr. Young's memorandum was approved unanimously.

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Reference then was made to a memorandum from Mr. Johnson, Controller, dated October 20, 1953, submitting, pursuant to the statement of budgetary principles and procedure approved by the Board on September 16, 1953, requests by certain divisions for approval of expenditures in excess of the approved 1953 budget in various account classifications, as follows:

<u>Division</u>	<u>Account Classification</u>	<u>Amount of Excess</u>
Administrative Services	Postage and Expressage	\$ 18,500
Examinations	All Other	3,523
	Insurance	117
Legal	All Other	1,500
Secretary's Office	Repairs and Maintenance (Furniture and Equipment)	254

The Controller recommended that the requests be approved by the Board for reasons stated in his memorandum and in attached memoranda from the respective divisions.

Approved unanimously.

The meeting then adjourned. During the day the following additional actions were taken by the Board with all of the members except Governor Evans present:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on October 23, 1953, were approved unanimously.

Letter to the Board of Directors, Montgomery Trust Company, Norristown, Pennsylvania, reading as follows:

The Board of Governors approves the establishment and operation of a branch at 25 East Main Street, Norristown,

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Pennsylvania, by the Norristown Montgomery Trust Company provided a merger of the Montgomery Trust Company and Norristown-Penn Trust Company is effected under the title of Norristown Montgomery Trust Company substantially in accordance with a joint plan of merger dated July 20, 1953, a copy of which was forwarded to us by the Federal Reserve Bank of Philadelphia.

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

Letter to Mr. Slade, Vice President, Federal Reserve Bank of
San Francisco, reading as follows:

The Board of Governors of the Federal Reserve System has considered the recommendation of your Bank, contained in your letter of October 8, and, pursuant to the provisions of Section 19 of the Federal Reserve Act, grants permission to Occidental Savings and Commercial Bank, North Hollywood (Los Angeles), California, to maintain the same reserves against deposits as are required to be maintained by banks located outside of central reserve and reserve cities, effective as of the date the subject bank is admitted to membership.

Please advise the bank of the Board's action in this matter, calling its attention to the fact that such permission is subject to revocation by the Board of Governors of the Federal Reserve System.

Approved unanimously.

Letter for the signature of the Chairman to Mr. Javier Marquez,
Director, Center for Latin American Monetary Studies, Mexico City, Mexico,
reading as follows:

In response to your letter of September 30, I am pleased to advise you that the Board of Governors has given favorable consideration to your proposal that a second group of trainees from the Center for Latin American Monetary Studies, consisting of six persons, visit

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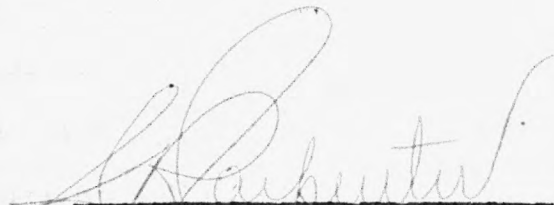
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here during the week of November 16. This is subject to the understanding that the Federal Reserve Bank of New York, the International Monetary Fund, and the International Bank for Reconstruction and Development will likewise be agreeable to participating in the program.

We shall endeavor to arrange a program here at the Board similar to the one which was provided for the group of trainees who visited the Board in September, although, as you will understand, circumstances may necessitate some modifications in the schedule. It is noted in this connection that a representative of the Center, who will accompany the group, will take care of any necessary translating.

Your comments regarding the visit of the first group of trainees are appreciated.

Approved unanimously.



Secretary