Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, October 27, 1953. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Szymczak, Acting Chairman
Mr. Vardaman
Mr. Mills
Mr. Robertson

Mr. Carpenter, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Thurston, Assistant to the Board
Mr. Young, Director, Division of Research and Statistics

Reference was made to a memorandum dated October 22, 1953, from the Office of the Secretary and the Division of International Finance, which had been circulated among the members of the Board, recommending, for reasons stated, that a program designed to afford information concerning the organization and activities of the Board and the Federal Reserve System be arranged on November 4, 1953, for a group of approximately 24 trainees from the International Monetary Fund and the International Bank for Reconstruction and Development. The memorandum also recommended that a luncheon for the group be provided in the staff dining room with available members of the Board and appropriate members of the staff.

Governor Vardaman, who had indicated when the memorandum was circulated that he had a question with respect to it, stated that, while he had no objection to providing an informative program for the group, he felt that some definite policy should be established with regard to providing luncheons at the Board’s expense for outside groups.
For the assistance of the Board in determining what policy should be followed, Governor Vardaman suggested that the Controller be requested to prepare a memorandum showing the amount spent by the Board for luncheons and dinners for various groups during the current calendar year and the past several years.

Following a discussion, the recommendations contained in the above-mentioned memorandum were approved unanimously, with the understanding that the Controller would be requested to prepare a statement of the type suggested by Governor Vardaman with a view to further consideration of the matter by the Board.

There had been circulated among the members of the Board, prior to consideration at a meeting, a memorandum from Mr. Young to Governor Mills dated October 21, 1953, regarding a request from the University of Michigan Survey Research Center for permission, in the light of the understanding set forth in a letter from Mr. Rensis Likert to the Board dated September 8, 1952, to make public the results of an interim survey of consumer attitudes which the Center made this September. The memorandum recommended that, in view of the widespread interest in consumer attitudes at this time, the Board indicate to the Survey Research Center that it would interpose no objection to the release of the results of the interim survey, with the understanding that any release made in this connection should not contain any reference to
the Board's Survey of Consumer Finances or to the fact that the Survey Research Center conducts that survey for the Board.

Governor Mills recalled that the question of the publication policy of the Center in connection with results of interim surveys relating to economic attitudes and expectations, conducted either at its own expense or for other sponsors, had been raised in 1952 when the formal contract covering the eighth annual Survey of Consumer Finances was under consideration because of the fact that some of the Center's releases had been confused with the results of the Survey of Consumer Finances. Governor Mills stated that the matter had been discussed with representatives of the Center at that time and that Mr. Likert's letter of September 8, 1952, which was reported at the meeting on September 16, 1952, gave assurances that to avoid confusion and embarrassment to the Board, the Center would not issue any releases based on interim surveys, either generally or to selected newspapers or weekly magazines, without first consulting the Board and obtaining its approval. Governor Mills then recommended that no objection to the proposed release be interposed by the Board.

During a discussion of the matter, Mr. Young stated that the interim survey in question was conducted by the Center under the sponsorship of three parties, including the Department of the Navy, and that three of the questions asked by the Center's interviewers duplicated
questions asked in connection with the 1953 Survey of Consumer Finances. Subsequently, he said, the Center had been approached by two publications for special tabulations relating to two of these questions.

Governor Vardaman stated that he would not vote in favor of granting the Center the requested permission because he objected to the Board having a veto power over, or having anything to do with, the release of data over the preparation of which it had no control.

At the conclusion of the discussion, Mr. Young was authorized to advise the University of Michigan Survey Research Center that the Board would interpose no objection to the Center making public the results of the September interim survey of consumer attitudes, subject to the understanding that in the release of any data there would be no reference to the Board, to the Survey of Consumer Finances, or to the fact that the Survey Research Center conducts the Survey of Consumer Finances for the Board. On this action Governor Vardaman voted "no" for the reason which he had stated.

There was presented a draft of letter to Mr. H. V. Prochnow, Secretary of the Federal Advisory Council, suggesting topics for discussion at the meeting of the Board and the Council to be held on November 17, 1953.
Following a discussion, unanimous approval was given to a letter to Mr. Prochnow in the following form:

The Board would appreciate having the following items placed on the agenda for discussion at the meeting of the Board and the Federal Advisory Council to be held on Tuesday, November 17, 1953:

1. The Board would be glad to have the views of the Council on the prospective business and economic situation during the rest of the year and into the first half of 1954. The Board is particularly interested in the comments of the members of the Council on the probable demands for bank credit during the remainder of the year and the liquidation of loans after the turn of the year.

2. The Board would also appreciate having the comments of the Council as to what if any changes should be made in System credit policies to meet changes in the business and economic situation in the foreseeable future.

3. Does the Council have any comments with respect to the recent action of the New York State Banking Board removing the limitation on the payment of interest on savings accounts or with respect to whether any action should be taken by the Federal bank supervisory authorities to raise the existing limitations on the payment of interest on time and savings deposits by member and insured nonmember banks.

In connection with the third topic suggested for discussion at the joint meeting with the Council, Governor Robertson referred to the discussion at the meeting on October 9, 1953, regarding the action taken by the New York State Banking Board on the preceding day removing the limitation on the payment of interest on savings accounts, and to the understanding that he would discuss the matter with the Federal Deposit Insurance Corporation, in the light of that action, to ascertain
the views of the Corporation. Governor Robertson said that he had spoken to Mr. Earl Cook, Chairman of the Federal Deposit Insurance Corporation, that a meeting with Mr. Cook had been arranged for next week, but that the tentative conclusion was that nothing should be done for the time being with regard to Federal limitations on the payment of interest on time and savings deposits pending review of developments resulting from the action taken by the New York State Banking Board.

There was presented a memorandum dated October 26, 1953, from the Division of Bank Operations stating that net earnings of the Federal Reserve Banks after dividends for the third quarter of 1953 amounted to $100,588,802 and recommending that, in order to pay to the Treasury approximately 90 per cent of such earnings in the form of interest on Federal Reserve notes outstanding not collateralized by gold certificates, the Board establish the rates of interest indicated in a telegram to the Federal Reserve Banks attached to the memorandum, which would result in a payment of $90,528,455.33 for the third quarter. The memorandum also stated that in computing the payments for the first quarter, deductions totaling $3 million were made from earnings representing one-half the pro rata shares of the proposed $6 million reserve for losses from fire and allied risks, but that because of the present unsettled status of the amendment to the Loss Sharing Agreement to include these risks, no deduction was made from net earnings in making the
computations for interest payments in the second quarter and none
was proposed for the third quarter.

Governor Vardaman suggested that the Division of Bank Opera-
tions be requested to submit for the information of the members of the
Board a memorandum showing the percentage relationship between gross
earnings of the Reserve Banks and the interest payments to the Treasury
for years beginning with 1947, along with any other details which might
be of interest.

Thereupon, unanimous approval
was given to the recommendation con-
tained in the memorandum.

Mr. Young stated that the Division of Research and Statistics
was completing a revision of the index of industrial production and anti-
cipated that the new index would be ready for release to the public
about the end of November. Prior to such release, he said, the Divi-
sion would like to present to the Board the differences between the old
and new indexes, because this would be a matter which would receive a
great deal of publicity in the press. Mr. Young added that the Division
had hoped to be ready to make a presentation to the Board early in No-
vember but that the work was running a little behind schedule and there-
fore, in the absence of objection, the Division would present the ma-
terial to the Board some time during the second half of November.

Governor Robertson referred to a letter dated August 31, 1953,
from Mr. Hill, Vice President of the Federal Reserve Bank of Philadelphia,
submitting, with a favorable recommendation, an application of the Equitable Security Trust Company, Wilmington, Delaware, to establish a branch in leased space in a proposed new shopping center, to be known as the Newark Shopping Center, in Newark, Delaware. The recommendation of the Division of Examinations, contained in a memorandum to the Board dated September 24, 1953, was for approval of the application, provided the branch was established within twelve months from the date of a proposed letter from the Board to the member bank approving the establishment and operation of the branch.

In a memorandum dated October 9, 1953, which he had placed in circulation to the other members of the Board along with the file on this matter, Governor Robertson stated that this appeared to be a borderline case, but that he had not been able to bring himself to believe that there was justification for approval of the application at this time because, as indicated in an attached draft of letter to Vice President Hill, it appeared that no temporary or permanent financing arrangements to cover the costs of construction of the shopping center had been completed and that at least a year would expire before the shopping center was constructed.

Governor Robertson reviewed the circumstances involved, mentioning, among other things, that the Delaware State law was amended earlier this year to limit branch bank permits to six months and that the State
bank supervisor in this case had granted a permit with the understanding that it would be extended from time to time. Governor Robertson brought out that the Board's general policy is to refrain from approving the establishment of branches which cannot be placed in operation within a period of six months, and that deviations must be justified on the basis of the facts involved in a particular case.

Governor Robertson stated that it had now been ascertained that the Newark Trust Company, Newark, Delaware, a nonmember insured bank, had filed with the Federal Deposit Insurance Corporation an application to establish a branch in a proposed shopping center which would be located about two miles from the place where the branch of the Equitable Security Trust Company would be located. He understood that the Federal Deposit Insurance Corporation was inclined to approve the application and that although permanent financing covering the construction of the shopping center was understood to have been completed, it appeared that the branch could not be placed in operation for more than six months.

In the circumstances, Governor Robertson proposed to contact the Federal Deposit Insurance Corporation to make sure that the practices followed by that agency and by the Board in the approval of branch applications were comparable. Then, if it developed that the Corporation intended to approve the branch application of the Newark Trust Company, he proposed to talk by telephone with the management of the Equitable Security
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Trust Company, after explaining the situation to Mr. Williams, President of the Federal Reserve Bank of Philadelphia, and state to the trust company that the Board would not act on its application at this time but would be willing to reconsider the application at such time as permanent financing for the construction of the shopping center had been arranged.

The procedure proposed by Governor Robertson was approved unanimously.

Mr. Young then withdrew from the meeting.

Reference was made to a draft of letter to the Presidents of all Federal Reserve Banks, prepared for the purpose of consolidating instructions regarding approval by the Board of Governors of building operations of the Federal Reserve Banks, clarifying and bringing up to date the outstanding letters, and supplementing the request for specific data on building programs and making it applicable to building projects at head offices as well as branches.

Certain changes in the draft, which had been circulated among the members of the Board, were suggested, particularly with regard to the necessity of taking up with the Board in advance the obtaining of an option for the purchase of a building site or the employment of architects to prepare preliminary plans for contemplated head office and branch building construction and alterations. At the conclusion of the discussion, it
was understood that the draft would be referred back to the Division of Bank Operations for revision in the light of the comments made at this meeting.

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

Minutes of actions taken by the Board of Governors of the Federal Reserve System on October 26, 1953, were approved unanimously.

Telegram to Mr. Woolley, Vice President, Federal Reserve Bank of Kansas City, reading as follows:

Reurlet October 21, 1953. Board approves designation of George J. Hix as a special assistant examiner for the Federal Reserve Bank of Kansas City. Please advise number of shares of stock held in nonmember bank listed and whether he has any plans for disposition.

Approved unanimously.

Telegram to Mr. Pondrom, Vice President, Federal Reserve Bank of Dallas, reading as follows:

Reurlet October 14, 1953, the Board approves appointment of Morris S. Moore as an assistant examiner for the Federal Reserve Bank of Dallas, effective November 1, 1953. Please advise salary rate.

Approved unanimously.

[Signature]

Secretary