

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, November 18, 1953. 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. Sherman, Assistant 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. Leonard, Director, Division of Bank
Operations
Mr. Vest, General Counsel
Mr. Young, Director, Division of Research
and Statistics
Mr. Youngdahl, Assistant Director, Division
of Research and Statistics

There was presented a request that Mr. Allen, Director, Division of Personnel Administration, be authorized to travel to Boston, Massachusetts, and New York, New York, during the period November 22-25, 1953, to review the personnel programs of the Federal Reserve Banks of Boston and New York and to discuss a proposed correlation study with the Personnel Department at the Boston Bank.

Approved unanimously.

There followed a general discussion, at the request of the members of the Board, regarding problems incident to the replacement

11/18/53

-2-

of maturing securities in the System Open Market Account.

Following this discussion, there was presented a memorandum from Mr. Vest dated November 16, 1953, recommending that the Board pay the cost (not to exceed \$8 per person) of a dinner to be given on November 30, 1953, in connection with the conference of Counsel of the Federal Reserve Banks to be held in Washington on November 30 and December 1. The memorandum stated that the total attendance was estimated at approximately 40, including the visiting Reserve Bank Counsel, the lawyers in the Legal Division, and as many as might accept from among the members of the Board and a limited group of the senior staff. The memorandum also stated that the expense of the proposed dinner had not been provided for in the 1953 budget of the Legal Division.

Approved unanimously.

Mr. Vest summarized telephone conversations which he had had with Mr. Leedy, President of the Federal Reserve Bank of Kansas City, concerning a question that had arisen in connection with the election of a Class B director of the Bank for the three-year term beginning January 1, 1954. The polls opened several days ago with three candidates for the directorship, but one of the candidates, Mr. L. C. Hutson, Director of the Chickasha Cotton Oil Company, Chickasha, Oklahoma, died after the balloting had started. The question raised by President Leedy was whether the election should be allowed to proceed or whether it should be called

11/18/53

-3-

off and steps taken to hold a new election.

Mr. Vest said that the Legal Division had been unable to find a precedent, but that such points of law as could be found seemed to support the view that the Reserve Bank should allow the election to proceed, with the thought that if Mr. Hutson obtained a majority of the votes cast, the election would have no effect and the Reserve Bank would be in a position to hold another election. If, on the other hand, one of the other candidates received a majority of the votes, it would appear that he would be entitled to hold office as Class B director.

Mr. Vest said that President Leedy agreed with this view, but asked that the matter be brought to the attention of the Board.

The matter was discussed, and there was unanimous agreement with the view expressed by Mr. Vest that the Federal Reserve Bank of Kansas City should do nothing at this time and should let the election proceed. It was understood that Mr. Vest would advise President Leedy accordingly.

Mr. Leonard, who had last reported to the Board on the subject at the meeting on November 13, 1953, summarized further developments in connection with the proposal that the Federal Reserve Banks, as fiscal agents, handle deposits of surplus funds made by United States postmasters.

Mr. Leonard said that in response to telegrams sent by President Young, Chairman of the Presidents' Conference Committee on Fiscal Agency Operations, eight Federal Reserve Bank Presidents expressed agreement

11/18/53

-4-

with President Young's suggestion that he be authorized to tell Mr. Bartelt, Fiscal Assistant Secretary of the Treasury, that the Reserve Banks would prefer a deferment of pilot operations until January 1, 1954. Three Presidents, however, including Mr. Sproul, President of the Federal Reserve Bank of New York, expressed the feeling that there should be no commitment to the Post Office and Treasury Departments until the proposed operation had been discussed at the meeting of the Presidents' Conference in December. Subsequently, President Young obtained clearance from two of the Presidents to make the suggested statement to Mr. Bartelt and, after discussing the matter by telephone with President Sproul, President Young called Mr. Bartelt on the telephone and expressed the personal view that the proposal to institute pilot operations on January 1, 1954, would be approved by the Presidents' Conference. Mr. Bartelt accepted the statement although indicating that he was not altogether satisfied because he felt it was possible that the Post Office Department would want to make some announcement of its plans.

Mr. Leonard went on to say that yesterday he received a telephone call from President Leach, Chairman of the Presidents' Conference, who stated that he did not want the Treasury Department to have the impression that the Federal Reserve Banks were not cooperating and pointed out that under the law the Treasury Department might well require the Federal Reserve Banks to undertake the proposed fiscal agency operation.

11/18/53

-5-

President Leach added, however, that when there was any disagreement among the Presidents, it was customary to bring the matter up for discussion at a meeting of the Presidents' Conference and act on the basis of the vote taken at that time. Nevertheless, President Leach thought that it would be desirable to have a subcommittee work on the details of the proposal so that, following the meeting of the Presidents' Conference, it would be possible to institute pilot operations without undue delay. Therefore, President Leach sent a telegram to the Presidents of the other Federal Reserve Banks yesterday saying that after consultation with President Erickson, Chairman of the Committee on Collections and Accounting, he was appointing a special subcommittee, with Mr. Hodge, General Counsel of the Federal Reserve Bank of Chicago, as Chairman, so that pilot operations might be begun on January 1, 1954, if that were agreed upon by the Presidents. In his telegram, President Leach also stated that this procedure had been agreed to by Mr. Bartelt.

At the request of Governor Evans, Mr. Leonard stated that, pursuant to the understanding at the meeting on November 16, 1953, he told Mr. Young, President of the Federal Reserve Bank of Chicago, that the Board would like to meet with Chairman Coleman and other representatives of the Chicago Bank at 2:30 p.m. on December 7, 1953, to discuss the building program at the head office of the Chicago Bank. Mr. Leonard said he also informed President Young that the discussion would include

11/18/53

-6-

reference to the possible establishment of additional branches or facilities within the Seventh Federal Reserve District, and that President Young indicated that the representatives of the Reserve Bank would be prepared to discuss that aspect of the matter.

All of the members of the staff except Messrs. Thurston and Vest then withdrew from the meeting.

Thereafter, the Secretary was informed that during the meeting consideration was given to a memorandum dated October 29, 1953, from Mr. Shay, Assistant Counsel, Legal Division, recommending that the Board amend its regulation adopted on May 27, 1953, relating to employment security, by adding as a new paragraph (8) of section 3(b) of the regulation an additional standard by which eligibility for employment or retention in employment is to be tested and thus bringing the security standards enumerated in the Board's regulation in line with an amendment of October 13, 1953, to the Executive Order of the President issued in April 1953 which established requirements for Government employment based on security as well as loyalty. The proposed new paragraph was as follows:

Refusal by the individual, upon the ground of constitutional privilege against self-incrimination, to testify before a congressional committee regarding charges of his alleged disloyalty or other misconduct.

Approved unanimously.

The Secretary also was informed that pursuant to the understanding at the meeting on November 4, 1953, consideration was given to a questionnaire

11/18/53

-7-

with respect to subversive activities which was sent to all members of the Board's staff under that date by Mr. Allen, as Personnel Security Officer, and that it was agreed unanimously that the replies to the questionnaire which had been received should be turned over to Mr. Chase, as Legal Officer in connection with the Board's security regulations, with the understanding that they would be handled jointly by Messrs. Chase and Allen, who would make a joint report to the Chairman in the event a report was needed.

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

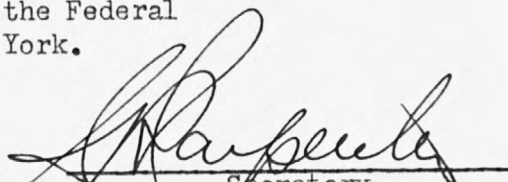
Minutes of actions taken by the Board of Governors of the Federal Reserve System on November 17, 1953, were approved unanimously.

Minutes of the meeting of the Board of Governors of the Federal Reserve System with the Federal Advisory Council held on November 17, 1953, were approved unanimously.

Letter to the Board of Directors, The Northern New York Trust Company, Watertown, New York, reading as follows:

As requested in your letter of November 5, 1953, submitted through the Federal Reserve Bank of New York, the Board of Governors extends to February 15, 1954, the time within which The Northern New York Trust Company may establish a branch at 556 State Street, Watertown, New York, under the approval given by the Board in its letter dated December 17, 1952.

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


Secretary