

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, December 9, 1953. The Board met in the Board Room at 9:30 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. Thomas, Economic Adviser to the Board
 Mr. Young, Director, Division of Research and Statistics
 Mr. Johnson, Controller
 Mr. Sprecher, Assistant Director, Division of Personnel Administration
 Mr. Noyes, Assistant Director, Division of Research and Statistics

There was presented a memorandum dated December 3, 1953, from Mr. Allen, Director, Division of Personnel Administration, recommending, for reasons stated, that the Board authorize the Division of Personnel Administration to make arrangements for each employee in the Board's cafeteria to be given a physical examination annually, the examination to include a chest x-ray and blood test in addition to the regular physical check-up. The memorandum stated that the cost of such a program would be approximately \$100 annually.

Approved unanimously.

Prior to this meeting there had been circulated among the members of the Board a draft of letter for the signature of Mr. Thomas to Mr. Bryan,

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President of the Federal Reserve Bank of Atlanta, reading as follows:

With regard to the 1954 Meeting of Technicians of Central Banks of the American Continent, decision has to be made as to the representation of the Federal Reserve Banks. While it would be fine to have representatives from all of the Reserve Banks at all the meetings, this would probably not be advisable, partly in view of space limitations but more importantly in order to avoid having the Conference over-weighted with representatives from this country.

It has occurred to us that the decision could best be made by the Conference of Presidents rather than by the Board and the New York Reserve Bank. Therefore, in my capacity as Chairman of the Federal Reserve Staff Committee of Technicians which has been entrusted with the working out of plans for the meeting, I am writing to suggest that the Research Committee of the Presidents Conference undertake to make the proposal in this matter. A definite decision does not have to be made until spring, but some plan should be worked out before then.

One suggestion that has been made is that, in case a number of the Reserve Banks want to attend, half of those represented attend the meeting in Washington and the other half attend the meeting in New York.

In this connection, I may say that the group here and in New York who are laying out the agenda for the Meeting are all very favorably impressed by Charlie Taylor's suggestion and we hope that Atlanta will be among the banks represented. We feel that a paper on the elements of southern economic growth along the lines of his suggestion would be of considerable interest. Therefore we should like for you people to go ahead with plans for preparing such a paper and for presenting it at the Meeting.

The final date for submitting papers will be March 1, 1954, as we are informing the other participating Central Banks. There is no limit to the length of the papers submitted, but each should be preceded by a summary of not more than two single-spaced pages.

It will be necessary to provide a Spanish translation as well as the English version of the paper. However, if

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it is inconvenient for your Bank to arrange for the translation into Spanish, we can have that done here.

Approved unanimously.

In accordance with the understanding resulting from a discussion of the proposed Board budget for 1954 which had been held in executive session, with the Controller present, and in the light of the suggestion made by Chairman Martin when he met with the heads of the respective divisions last week, the divisions had reviewed their proposed budgets with a view to eliminating or deferring everything not essential for the effective discharge of the Board's current responsibilities.

At this meeting there was a discussion of an alternative 1954 budget for the Division of Research and Statistics, the proposed changes being set forth in a statement prepared by that Division, copies of which were distributed to the members of the Board.

During this discussion it was agreed unanimously:

(1) That the two interim surveys of consumer finances which were approved by the Board at the meeting on October 26, 1953, should not be conducted in 1954, and that the \$75,000 provided for the interim surveys should be eliminated from the 1954 budget of the Division of Research and Statistics.

(2) That publication of the "all-bank" balance sheet statistics covering the period 1896-1950 should be postponed and that the \$35,000 provided to cover the cost of publication should be eliminated from the 1954 budget of the Division of Bank Operations.

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(3) That the Associated Press ticker service should be discontinued and the 1954 budget provisions for this service eliminated.

(4) That Mr. Young should be relieved of the assignment given to him at the meeting on June 9, 1952, to study the problems which would be involved in having the surveys of consumer finances conducted by the Federal Reserve System.

There was discussion of other contemplated expenditures which might be eliminated or deferred during which Mr. Johnson made a statement regarding the progress being made by the several divisions in reducing their originally proposed budgets so that the total budget of the Board for 1954 might be of approximately the same size as the 1953 budget.

It was understood that after all of the divisions had submitted their revised proposals and the Controller had analyzed them, the Controller would present the revised budget to the Board for further consideration.

Mr. Noyes then withdrew from the meeting and Messrs. Leonard, Director; Farrell, Chief, Reserve Bank Budget and Expense Section; and Massey, Technical Assistant, Division of Bank Operations, entered the room along with Messrs. Fauver and Molony, Assistants to Mr. Thurston.

Pursuant to the understanding at the meeting on December 4, 1953, there was a further discussion of the proposed Federal Reserve Bank budgets for 1954, particularly with regard to expenditures chargeable to bank and public relations activities.

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In the course of the discussion, during which Mr. Vest, General Counsel, was called into the meeting, reference was made to the responsibility of the directors and officers of the respective Federal Reserve Banks to keep expenses to a minimum consistent with the effective discharge of functions which are proper and essential to carrying out the duties of the Federal Reserve System, the authority and extent of responsibility of the Board of Governors with respect to Federal Reserve Bank budgets and expenditures, and methods by which it was felt that objectives common to the Board and the Reserve Banks might be achieved within the framework of the Federal Reserve System as presently constituted.

Consideration also was given to what action should be taken by the Board concerning the proposed 1954 Reserve Bank budgets. Several suggestions were made as to the content of letters which might be sent to the Reserve Banks, and it was understood that Governor Evans and Mr. Leonard would prepare, in the light of the discussion at this meeting, a draft of letter for consideration at the meeting on December 14, 1953, at which time attention also would be given to salaries proposed for Federal Reserve Bank officers, effective January 1, 1954, including salaries proposed for the presidents and first vice presidents.

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

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Minutes of actions taken by the Board of Governors of the Federal Reserve System on December 8, 1953, were approved unanimously.

Telegram to Mr. Lester V. Chandler, Gordon S. Rentschler Professor of Economics, Princeton University, Princeton, New Jersey, prepared pursuant to action taken at the meeting on December 1, 1953, and reading as follows:

Board of Governors of the Federal Reserve System has appointed you a Class C director of Federal Reserve Bank of Philadelphia for three-year term beginning January 1, 1954, and will be pleased to have your acceptance by collect telegram. The Board will issue later a press statement on appointments of directors at all Federal Reserve Banks and Branches. It will be appreciated if announcement of your appointment could be deferred until release of Board's statement.

Approved unanimously.

Letter to Mr. Diercks, Vice President, Federal Reserve Bank of Chicago, reading as follows:

Reference is made to your letter of December 1, 1953, advising of the proposal of The Detroit Bank, Detroit, Michigan, to remove its Livernois-Seven Mile Road Office, presently located at 19100 Livernois Avenue, Detroit, Michigan, to 18900 Livernois Avenue, which is within one block of the intersection of Livernois Avenue and Seven Mile Road.

We concur in your view that this proposal constitutes a mere relocation of an existing branch in the immediate neighborhood without affecting the nature of its business or customers served, and, therefore, the approval of the Board of Governors is not necessary.

Approved unanimously.

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Letter to Mr. J. E. Reeve, Assistant Chief, Commerce and Finance Division, Bureau of the Budget, Washington, D. C., reading as follows:

This refers to your memorandum of December 7, 1953, in which you request the views of the Board regarding a tentative proposal of the Treasury Department, as set forth in your attached copy of a letter of December 1, 1953 from Acting Secretary of the Treasury Folsom to Mr. Dodge, that the tax exemption of interest from future issues of local public housing authority bonds be discontinued.

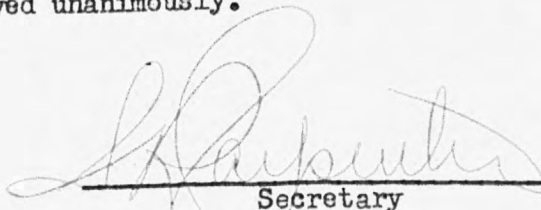
The Board had occasion to consider the question of the tax exemption of such bonds in its letter of January 4, 1949 to Mr. Staats of the Bureau of the Budget. In that letter the Board stated with respect to this matter:

"...The Board would like to raise the general question whether such use of tax-exempt securities should not be discouraged rather than stimulated.

"Federal credit, contributions, and grants provide an appreciable part of the security for (this type of obligation)...In the past decade, however, income from Federal obligations generally has been made taxable by the Federal Government, and Federal tax rates have been increased substantially. Under the circumstances, it would seem undesirable to encourage through this bill further additions to the supply of tax-exempt issues."

The Board is still of that opinion with respect to the tax exemption of such obligations, and, accordingly, is inclined to agree with the suggestion of the Treasury in this regard.

Approved unanimously.


Secretary