

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, January 4, 1954. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Szymczak
Mr. Evans
Mr. Mills
Mr. Robertson

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Kenyon, Assistant Secretary
Mr. Thurston, Assistant to the Board
Mr. Vest, General Counsel
Mr. Allen, Director, Division of Personnel Administration

Chairman Martin presented for consideration a letter addressed to him under date of December 30, 1953, by Mr. Donald B. Woodward, Finance Chairman and Director of the Vick Chemical Company, New York City, concerning a proposal for an exploratory project looking toward the collection, appraisal, editing, and use of historical materials on the Federal Reserve System. Enclosed with the letter was a draft of statement proposed for submission to the Rockefeller Foundation outlining the project and suggesting the provision of a fund in the amount of \$16,000 to finance the exploratory work over a period of six months. Depending on the outcome of this work, it was proposed to carry on a comprehensive study over a period of several years, and at a cost estimated at \$300,000 or more, with a view to producing such works as a definitive history of the System, a collection of edited papers, biographies, a text suitable for high school and college courses, and various articles and monographs.

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Chairman Martin said that Mr. Woodward had discussed the project with him and others, including Mr. Sproul, President of the Federal Reserve Bank of New York, and Mr. Burgess, Deputy to the Secretary of the Treasury, that a committee of advisors was being formed, with Mr. Sproul as chairman and Mr. Burgess as a member, and that Mr. Woodward had asked whether he (Chairman Martin) also would serve on the committee. Chairman Martin said he refused to join in the proposed request for funds from the Rockefeller Foundation on the ground that it would not be appropriate for the Chairman of the Board of Governors to be a member of a group seeking funds in a project of this nature, but that he told Mr. Woodward he would serve on the advisory committee, if the Board was agreeable, should the project be approved by the Foundation.

After reviewing the nature of the contemplated project, as outlined in Mr. Woodward's memorandum, Chairman Martin said that at Mr. Woodward's request he and Mr. Riefler, Assistant to the Chairman, discussed the proposal recently with Miss Mildred Adams, an economic journalist now reporting matters at the United Nations for the London Economist who would head up the staff engaged in the exploratory study, and that they suggested to Miss Adams a cut-off date in the early 1930's, feeling that the more recent period, involving living personalities, would be controversial and not lend itself to a historical project of this kind.

At this point Mr. Riefler was called into the room and, after discussing a somewhat similar project for a financial history of the United States which was started several years ago but was abandoned following

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the death of the principal research person, he commented on Mr. Woodward's long-standing interest in the project now proposed and the description of the proposal given by Miss Adams, particularly the manner in which the exploratory work would be conducted.

Both Messrs. Martin and Riefler expressed the view that a comprehensive study of the early history of the Federal Reserve System should be undertaken and that the work would be carried out competently under the proposed grant from the Rockefeller Foundation.

In response to an inquiry concerning the duties of persons on the advisory committee, Chairman Martin said that they would cooperate with the project staff in the assembling of data and that their service would tend to assure the Rockefeller Foundation that responsible persons were interested.

During a discussion which followed, the other members of the Board indicated agreement with Chairman Martin's views concerning the project and indicated that they would have no objection to making official Board documents available to the research staff. It was understood that the cooperation to be extended might involve some time on the part of Board staff members in locating various documents and assisting with the screening of the material.

It was agreed that there would be no objection to Chairman Martin's serving on the above-mentioned advisory committee.

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Reference was made to a memorandum dated December 29, 1953, from Mr. Sherman, Assistant Secretary, regarding a telephone call which he received that day from Mr. Carl McFarland, President of Montana State University, Missoula, Montana, who inquired whether his position with the State university or as a member of a task force of a Hoover Commission committee would be construed as the holding of public office under the Board's resolution of December 23, 1915. Mr. McFarland had been appointed a director of the Helena Branch, Federal Reserve Bank of Minneapolis, effective January 1, 1954.

Mr. Sherman's memorandum stated that after citing precedents which would indicate that neither position would be inconsistent with the Board's resolution, he told Mr. McFarland he would bring the information to the Board's attention and suggested that Mr. McFarland might wish to visit the Board's offices to discuss the matter when he was in Washington this week in connection with his proposed appointment to the Hoover Commission task force.

It was agreed unanimously that neither Mr. McFarland's service as President of Montana State University nor his work for the Hoover Commission, if undertaken, would be inconsistent with the Board's resolution of December 23, 1915, and that Mr. McFarland should be so advised when he visited the Board's offices.

Prior to this meeting there had been circulated among the members of the Board a memorandum dated December 29, 1953, from the Division of

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Personnel Administration to which was attached a letter dated December 28, 1953, from Mr. Leedy, President of the Federal Reserve Bank of Kansas City, describing in some detail a proposed arrangement under which Mr. L. H. Earhart, who retired as Vice President in charge of the Omaha Branch at the end of 1953, would be employed in a nonofficial capacity in connection with the construction of a contemplated addition to the Omaha Branch building. The proposal with respect to Mr. Earhart was submitted originally in a letter from President Leedy dated November 27, 1953, and the Board deferred action at the meeting on December 23 pending receipt of more detailed information.

During a discussion of the matter some doubt was expressed as to the necessity for the arrangement with Mr. Earhart but it was agreed that in such a case, involving Reserve Bank management practices, due consideration should be given to the judgment of the Reserve Bank directors.

Thereupon, unanimous approval was given to a letter to President Leedy in the following form:

In accordance with your letters of November 27, 1953, and December 28, 1953, the Board of Governors approves the payment of salary to Mr. L. H. Earhart effective January 1, 1954, to represent the Kansas City Bank in the construction of the addition to its Omaha Branch building for a term of one year or until the addition is completed, whichever is the earlier, at the rate of \$7,200 per annum.

Messrs. Thurston and Allen then withdrew from the meeting and Mr. Leonard, Director, Division of Bank Operations, entered the room.

Governor Szymczak stated that pursuant to the understanding that was reached at the meeting on December 29, 1953, following discussion of

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the proposed building expansion program at the head office of the Federal Reserve Bank of Chicago, he called Mr. Coleman, Chairman of the Chicago Bank, on the telephone to ascertain whether the directors had considered the establishment of additional branches or facilities within the Seventh Federal Reserve District to reduce the volume of operations at the head office. Governor Szymczak said there appeared to have been no discussion of that possibility, the expansion program proposed in President Young's letter of December 17, 1953, having been considered as an alternative to the earlier proposal to add four floors to the present building.

Governor Robertson referred to a draft of letter to President Young which had been prepared in accordance with the understanding at the December 29 meeting and suggested an alternative draft reading as follows which he felt was more in line with the consensus of views expressed at that time:

The Board has received your letter of December 17, 1953 with respect to your building program and concurs in the desirability of exploring thoroughly the possibility of acquiring the other properties in the block in which the Reserve Bank is located. It is the Board's view that if the U.S.F. & G. property could be acquired along with either of the other two properties, the space problem would be solved. To the extent necessary, the Board grants its authority for the exploration. However, it cannot give its authority to act until after it is aware of the exact facts.

As pointed out at the time the Board met with Chairman Coleman, Deputy Chairman Prall, you, and First Vice President Harris, it was pointed out that the question of space requirements at the head office is closely tied to the question of decentralization through the establishment of facilities or branches in the District. In order that the Board

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may be in the best possible position to act on any specific proposal which is submitted with respect to your expansion program at the head office, it desires that you submit at an early date a detailed study disclosing the volume of work which might be diverted from the head office through such a program of decentralization and the effect of such redistribution of work upon employment and space requirements of the head office, together with a statement of the views of your bank with respect to the establishment of additional offices.

While the question of decentralization is involved with the question of provision of additional space, it is of even greater significance and goes directly to the heart of the problem of how the Federal Reserve Bank of Chicago may best serve its entire District. The Board feels that this basic problem should be considered along with the question of space requirements at the head office.

Following a discussion of the matter, the alternative draft of letter was 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 Vardaman present:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on December 31, 1953, were approved unanimously.

Memorandum dated December 29, 1953, from Mr. Young, Director, Division of Research and Statistics, recommending that the resignation of Elizabeth P. Steward, Clerk in that Division, be accepted effective January 8, 1954.

Approved unanimously.

Letter to Mr. Armistead, Vice President, Federal Reserve Bank of Richmond, reading as follows:

Reference is made to your letter of December 18, 1953, submitting the request of Farmers and Merchants State Bank,

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Fredericksburg, Virginia, for the Board's permission to retire its \$100,000 preferred stock outstanding with the Reconstruction Finance Corporation.

After consideration of all of the information available, the Board of Governors concurs in the Reserve Bank's recommendation and approves the retirement by Farmers and Merchants State Bank, Fredericksburg, Virginia, of \$100,000 preferred stock held by the Reconstruction Finance Corporation.

Approved unanimously.

Memorandum dated December 23, 1953, from Mr. Sloan, Director, Division of Examinations, submitting for approval letters to the following foreign banking corporations, the first four of which were organized under State laws but operate under agreements made with the Board pursuant to the provisions of section 25 of the Federal Reserve Act, and the last two of which were chartered by the Board under the provisions of section 25(a) of the Act, requesting that they submit reports of condition as of December 31, 1953:

| | |
|---|--------------------|
| Bankers Company of New York | New York, New York |
| First of Boston International Corporation | New York, New York |
| International Banking Corporation | New York, New York |
| Morgan & Cie. Incorporated | New York, New York |
| Bank of America | New York, New York |
| The Chase Bank | New York, New York |

Approved unanimously, together with a letter to Mr. Wiltse, Vice President of the Federal Reserve Bank of New York, advising that the corporations were being requested to submit the reports to the New York Bank for transmittal to the Board of Governors.

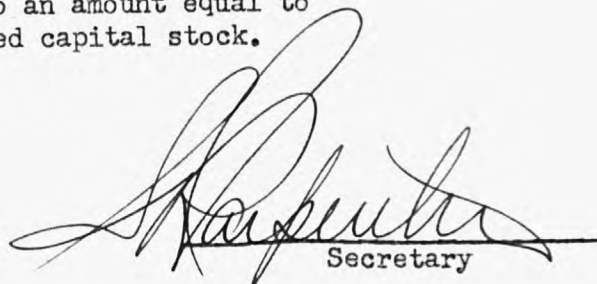
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Telegrams to the Presidents of all Federal Reserve Banks, prepared in accordance with the action taken at the meeting on December 23, 1953, stating that the Board had established under authority of the fourth paragraph of section 16 of the Federal Reserve Act the rate of (see column 1 below) per cent per annum interest for the preceding three calendar months on \$ (see column 2 below) daily average of outstanding Federal Reserve notes of the Reserve Bank in excess of gold certificates pledged with the Federal Reserve Agent as collateral security; and that an interest payment of \$ (see column 3 below) should be credited to the Treasurer's General Account on January 4, 1954.

| | (1) | (2) | (3) |
|---------------|--------|-----------------|----------------|
| Boston | 1.5764 | \$1,034,490,808 | \$4,110,437.27 |
| New York | 3.5789 | 2,841,088,605 | 25,628,860.95 |
| Philadelphia | 1.8208 | 1,179,076,016 | 5,411,267.62 |
| Cleveland | 1.9986 | 1,513,597,537 | 7,624,849.19 |
| Richmond | 1.5712 | 1,321,935,334 | 5,235,240.58 |
| Atlanta | 1.6644 | 1,076,102,584 | 4,514,465.56 |
| Chicago | 2.3345 | 2,779,755,120 | 16,356,688.39 |
| St. Louis | 1.5579 | 901,547,827 | 3,540,163.43 |
| Minneapolis | 1.7474 | 480,876,592 | 2,117,975.50 |
| Kansas City | 2.0810 | 768,751,187 | 4,032,300.06 |
| Dallas | 2.0411 | 498,857,492 | 2,566,467.36 |
| San Francisco | 2.5139 | 1,435,798,238 | 9,097,799.82 |

Approved unanimously, with the understanding that in the case of the Federal Reserve Banks of Dallas and San Francisco the payment had been determined after deducting the amounts of \$1,177,144.51 and \$1,095,700.02, respectively, to enable those Banks to bring Surplus, Section 7, up to an amount equal to 100 per cent of subscribed capital stock.


Secretary