

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, January 8, 1954. 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

The following requests for travel authorization were presented:

<u>Name and title</u>	<u>Duration of travel</u>
L. P. Bethea, Director, Division of Administrative Services	January 18-19, 1954

To attend a meeting at the Federal Reserve Bank of New York arranged by the Chairman of the Presidents' Conference Subcommittee on Cash, Leased Wire, and Sundry Operations, for the purpose of discussing with representatives of the Federal Reserve Banks of New York and Boston and representatives of the American Telephone and Telegraph Company details of a new procedure for sending and receiving telegraphic transfers of funds and CPD transfers over the System leased wire.

Arthur W. Marget, Director, Division of International Finance	January 25, 1954
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To travel to New York, New York, to address a luncheon meeting of the U. S. Austrian Chamber of Commerce on the subject of his recent assignment in Austria.

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<u>Name and title</u>	<u>Duration of travel</u>
Robert C. Masters, Assistant Director, Division of Examinations	January 10-12, 1954

To travel to Philadelphia, Pennsylvania, to meet with officers and examiners of the Federal Reserve Bank of Philadelphia to discuss problems and procedures in connection with bank supervision and bank examination.

Robert C. Masters, Assistant Director, Division of Examinations	February 7-10, 1954
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To travel to New York, New York, to attend the Mid-Winter Trust Conference of the American Bankers Association.

Approved unanimously.

There was a discussion of certain matters relating to current operations in the System Open Market Account at the conclusion of which Chairman Martin referred to the discussion at the meeting of the executive committee of the Federal Open Market Committee on January 5 of the question whether the Federal Reserve Bank discount rate should be reduced and suggested that there be a review of discount rate policy at this meeting in the light of current and prospective economic and credit conditions.

A lengthy discussion ensued of the reasons that might be advanced for and against action to reduce the discount rate at this time. No conclusions were reached but there was agreement with a suggestion by Chairman Martin that the question of discount rate policy should be discussed by the Board each week during the period immediately ahead.

There were presented telegrams to the Federal Reserve Banks of Boston, New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago,

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St. Louis, Minneapolis, Kansas City, and Dallas stating that the Board approves the establishment without change by the Federal Reserve Banks of Chicago and Kansas City on December 31, 1953, by the Federal Reserve Banks of Boston and St. Louis on January 4, 1954, and by the Federal Reserve Banks of New York, Philadelphia, Cleveland, Richmond, Atlanta, Minneapolis, and Dallas on January 7, 1954, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Prior to this meeting there had been circulated among the members of the Board a draft of letter to Mr. Earhart, President of the Federal Reserve Bank of San Francisco, reading as follows:

This refers to your letter of December 9 concerning the question of extending the boundaries of the Los Angeles territory. The Board concurs in the feeling of your directors that it would be advisable to defer any action on this specific matter until after the Joint Committee on Check Collections has made its report. This proposal could then be reviewed along with other possible changes in a broader consideration of territorial changes in the Twelfth District.

At this time the Board has no interim comments to offer with regard to this particular question, but wishes to emphasize one general observation. The Federal Reserve District lines were established around 40 years ago and most of the branch territories were established over 30 years ago. There have been relatively few changes in the original boundaries. In these circumstances, it is increasingly important that both the Federal Reserve Banks and the Board be alert to developments that would indicate the desirability of changes in boundary lines in order to serve better the needs of changing areas.

Governor Vardaman, who had requested that the matter be discussed at a meeting of the Board, raised the question whether the San Francisco

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Bank should be requested to make the suggested change extending the boundaries of the Los Angeles Branch territory. He indicated, however, that he would be agreeable to deferring the change until after the Joint Committee on Check Collections had submitted its report, if that report could be expected within the relatively near future. In the circumstances, he suggested that the Secretary be requested to bring the matter to the Board's attention again after a period of sixty days if no further action had been taken by the San Francisco Bank by that time.

Thereupon, the letter to President Earhart was approved unanimously in the form set forth above, with the understanding that the Board would review the matter in the light of developments at the expiration of 60 days.

Mr. Leonard then withdrew from the meeting.

Chairman Martin presented a letter dated January 5, 1954, from Mr. Henry F. Holthusen, General Counsel (for Senate Resolution 25), Senate Banking and Currency Committee, to Mr. Dembitz, Assistant Director, Division of International Finance, inviting Mr. Dembitz to appear before the Committee to discuss a paper he had prepared dealing with the adequacy of import financing facilities. The paper was a slightly modified version of one which Mr. Dembitz prepared in 1952 for the Public Advisory Board of the Mutual Security Agency in connection with a study of United States trade policy. It appeared that the request to have the report

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presented orally to the members of the Committee reflected a desire to have it given more attention than if it were merely put in the record of hearings by the Committee on the operations of the Export-Import Bank.

Following a discussion, during which it was indicated that there would be no objection to having the paper placed in the record of the hearings, Chairman Martin suggested that Mr. Dembitz be requested to advise Mr. Holthusen informally that the Board would prefer that he not testify. He also suggested that if Mr. Holthusen should persist, consideration be given by the Board to whether he (Chairman Martin) or Governor Szymczak should appear before the Committee to discuss the problems covered in the paper prepared by Mr. Dembitz.

These suggestions were approved
unanimously, with the understanding
that copies of the paper would be sent
to the members of the Board.

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 January 7, 1954, were approved unanimously.

Memorandum dated January 6, 1954, from Mr. Bethea, Director, Division of Administrative Services, recommending that the appointment of James R. Richey, Cafeteria Laborer in that Division, be extended on a temporary basis for a period of one month, with no change in his present basic salary at the rate of \$2,552 per annum, effective at the expiration of his present temporary appointment.

Approved unanimously.

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Memorandum dated December 30, 1953, from Mr. Young, Director, Division of Research and Statistics, recommending that the resignation of Charlotte J. Hodges, Clerk-Typist in that Division, be accepted effective December 22, 1953.

Approved unanimously.

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

Reurtel January 6, 1954. Board of Governors extends to February 11, 1954, the time within which the Occidental Savings and Commercial Bank, Los Angeles (North Hollywood), California, may accomplish membership in the Federal Reserve System as provided in our letter of August 26, 1953.

Approved unanimously.

Letter to Mr. Phelan, Vice President, Federal Reserve Bank of New York, reading as follows:

This refers to your letter of December 30, 1953, and its enclosures, concerning the proposed issue by the International Bank for Reconstruction and Development of its Fifteen Year Bonds of 1954, dated January 1, 1954, due January 1, 1969, in an aggregate principal amount of \$100 million. In this regard you indicate that it is proposed to amend Schedule A of the Fiscal Agency Agreement, dated as of February 6, 1950, between the International Bank and your Bank to include the bonds in question.

The Board of Governors approves the contemplated undertaking by your Bank to act as fiscal agent with respect to the proposed bond issue and the execution in that connection by your Bank of an agreement with the International Bank in the form, or substantially in the form, of the draft of Supplement No. 6, enclosed with your letter, which is in the form of Supplement No. 5, dated as of September 30, 1953, to the Fiscal Agency Agreement.

Approved unanimously.


Secretary