

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, February 9, 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. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Kenyon, Assistant Secretary
Mr. Thurston, Assistant to the Board
Mr. Horbett, Assistant Director, Division
of Bank Operations
Mr. Hackley, Assistant General Counsel

Chairman Martin stated that Mr. Bartelt, Fiscal Assistant Secretary of the Treasury, had suggested, in his capacity as head of the Government section of the Crusade for Freedom campaign, the preparation of a "freedom scroll" which would be signed by selected individuals in Government agencies and would be presented in bound form to the President of the United States as evidence of support of the crusade. The scroll had been signed by Treasury personnel, certain other Government agencies reportedly had expressed willingness to cooperate, and it had been suggested that the scroll might be circulated to the members of the Board, members of the Board's official staff, and certain key employees for signature.

Following a discussion of the proposal from the standpoint of whether circulation of the scroll among the staff would have any

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objectionable implications, the matter was referred to Mr. Thurston for consideration.

Governor Evans reported informally on the status of plans for new Federal Reserve Bank branch buildings, or additions to existing structures, in the various branch cities.

Pursuant to the understanding which resulted from discussion at the meeting on February 5, 1954, the following draft of letter to Mr. Crosse, Assistant Vice President of the Federal Reserve Bank of New York, had been prepared, had been circulated among the members of the Board, and had been initialed by all of the members of the Board except the Chairman:

In the course of correspondence and a conference here, the firm of Shearman & Sterling & Wright has raised the question under the provisions of section 32 of the Banking Act of 1933 whether three interlocking relationships between member banks and Investors Management Company, Inc., could be continued in the event all the stock of that corporation is acquired by Hugh W. Long and Company, Inc. The salient facts are in your possession and therefore need not be referred to here.

After consideration of all the information in its possession, the Board has reached the conclusion that the relationships would not be consistent with the purpose and intent of section 32 of the Banking Act of 1933. It will be appreciated if you will so advise the correspondent, notwithstanding the fact that in its letter of February 3, 1954 to Mr. Tiebout of your bank, the correspondent withdraws its request for an opinion.

Following a discussion, the letter was approved, Chairman Martin voting "no".

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Mr. Carpenter stated that Mr. Leedy, President of the Federal Reserve Bank of Kansas City, called him on the telephone yesterday and inquired informally whether, if all member banks in a reserve city requested a continuation of the reserve city designation under the existing procedure and the Board's letter of November 24, 1953, the banks might make a unanimous request within six months or a year that the designation be discontinued. It appeared that the member banks in Lincoln, Nebraska, had decided by a vote of two to one not to request continuation of the city's designation as a reserve city and that the member banks in St. Joseph, Missouri, being concerned about their competitive situation in relation to banks in Kansas City, Missouri, and Omaha, Nebraska, wished to watch developments in Lincoln for six months or a year to see whether the banks in that city appeared to be affected adversely. If not, they proposed to make a unanimous request that the designation of St. Joseph as a reserve city be discontinued.

The matter was discussed at some length in the light of the record relating to the adoption of the existing formula by the Board in 1947, from which it appeared clear that the Board had contemplated that the reserve city designations would be changed only at three-year intervals. The view was expressed by Mr. Hackley that a departure from the formula such as that envisaged by the member banks in St. Joseph, Missouri, might require an amendment of the formula, which would in turn require publication of a notice in the Federal Register. In addition, it was

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noted that a departure from the present rule of the kind suggested would introduce an element of uncertainty into the designation of reserve cities which the adoption of the formula had been designed to overcome.

At the conclusion of the discussion, it was agreed that the Board would not be warranted in approving under the existing formula a request such as that contemplated by the member banks in St. Joseph, Missouri, and that it would be inadvisable to amend the formula to permit such a procedure. It was understood that President Leedy would be so advised informally.

Secretary's Note: Following the meeting, Mr. Carpenter called President Leedy on the telephone and advised him of the results of the Board's discussion.

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

Minutes of actions taken by the Board of Governors of the Federal Reserve System on February 8, 1954, were approved unanimously.

Memorandum dated February 8, 1954, from Mr. Bethea, Director, Division of Administrative Services, stating that Lynwood Truehart, Operator (Mimeograph) in that Division, has submitted his application for retirement under the Board Plan of the Federal Reserve Retirement System, effective March 1, 1954.

Noted.

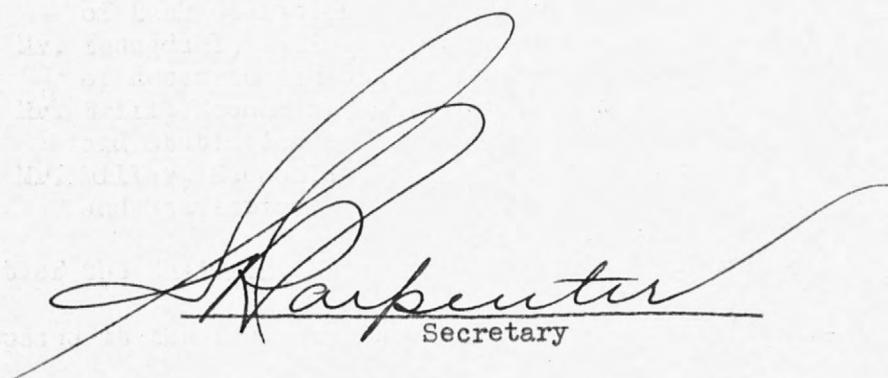
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Letter to the Presidents of all Federal Reserve Banks reading as follows:

The reports relative to the number of officers and employees selected by the Federal Reserve Banks to attend the various banking schools during the summer sessions of 1954 have now been received.

From the information submitted, it appears that the total number of officers and employees selected to attend these schools conforms to the policy as outlined in the Board's letter on this subject, S-1489, dated February 26, 1953.

Approved unanimously.


Secretary