

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, March 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. Leonard, Director, Division of
Bank Operations
Mr. Vest, General Counsel

Prior to this meeting there had been sent to the members of the Board copies of a memorandum from Mr. Leonard dated March 3, 1954, discussing an attached letter dated March 2, 1954, in which Mr. Johns, President of the Federal Reserve Bank of St. Louis, advised that the board of directors of that Bank had voted to acquire property located at 5th and Liberty Streets in Louisville, Kentucky, at the option price of \$449,305, as a site for a new building for the Reserve Bank's Louisville Branch. The proposal as to location was recommended unanimously by the directors of the Louisville Branch and the recommendation was concurred in by all of the six local member banks. The action of the head office directors was taken subject to approval by the Board of Governors and subject to the working out of certain details involved in the acquisition of the property, having to do principally with arrangements for the closing of a public alley running through the property.

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After commenting on various aspects of the situation, Governor Evans stated that he concurred in the recommendation set forth in Mr. Leonard's memorandum that the Board interpose no objection to the purchase of the site.

A discussion of the matter followed during which the other members of the Board also indicated that they regarded the proposal favorably. It was recalled, however, that in the course of recent informal conversations with individual members of the Board, a Louisville member banker (Mr. Lee P. Miller, President of the Citizens Fidelity Bank and Trust Company) had remarked that he thought the property at 5th and Liberty Streets could be acquired at a price of about \$414,000. In the circumstances, it was agreed that the Board would defer action until such time as this phase of the matter had been reviewed.

Governor Evans then called to the attention of the Board a situation which had arisen in connection with the construction of an addition to the building of the Omaha Branch of the Federal Reserve Bank of Kansas City. Clearance of the site of the addition involved the demolition of a garage building, and the Reserve Bank had received three bids for this work, one of \$8,850, another of \$11,840, and the third at a much higher figure. Since the demolition work presented problems with regard to the foundations of the present branch building and two buildings located to the west of the branch, the Reserve Bank, on the advice of its architect, was inclined to accept the bid of \$11,840, which was submitted by a firm

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having substantial experience in work of this kind.

Following comments by Mr. Leonard concerning a telephone conversation which he had with Mr. Leedy, President of the Kansas City Bank, regarding the matter, Governor Evans said that he thought the awarding of the contract for the work was the responsibility of the directors of the Reserve Bank and a matter for their determination in the light of all of the circumstances, but that he had wanted to bring the matter to the Board's attention as a matter of information. It was his view that the Reserve Bank should be advised informally that there would be no objection if the Bank's directors decided to accept the bid of \$11,840.

There was agreement with the view stated by Governor Evans.

Prior to this meeting there had been sent to the members of the Board copies of a letter addressed to Chairman Martin under date of March 1, 1954, by Mr. Carrol M. Shanks, Chairman of the Joint Committee on Economic Policy of the American Life Convention and the Life Insurance Association of America. The letter presented the views of the Joint Committee regarding current credit and debt management policies of the Government and stated that a delegation from the committee would be glad to visit the Board's offices.

Chairman Martin said that in the absence of objection by the Board, he would extend through Mr. Shanks an informal invitation to the members of the Joint Committee to come to Washington, if they so desired, at some

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mutually convenient time for a general discussion of Federal Reserve policies with such members of the Board as might be available.

The other members of the Board indicated they would have no objection to Chairman Martin's extending such an invitation.

Governor Szymczak referred to the understanding at the meeting of the Board and the Presidents of the Federal Reserve Banks yesterday that the Joint Fiscal Agency Policy Committee would consider the question of reimbursement to the Federal Reserve Banks for expenses incurred in the receipt and processing of postmasters' deposits and would make recommendations to the Board and the Federal Reserve Banks prior to the next meeting of the Presidents' Conference. He stated that it would be helpful to him to have an expression of the views of the other members of the Board on this question before a meeting of the policy committee was held. He pointed out that the operation in question was primarily in the nature of a depository function, that such functions have customarily been performed by the Federal Reserve Banks on a nonreimbursable basis, and that even if it should be decided in principle that the Reserve Banks should be reimbursed, it appeared that neither the Treasury Department nor the Post Office Department had funds available with which to reimburse the Reserve Banks.

Question was raised as to how the Reserve Bank Presidents felt on the matter of reimbursement and it was recalled that Mr. Leach, Chairman of the Presidents' Conference, had indicated at yesterday's meeting

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that the Presidents had taken no position. It was reported, however, that according to advice received informally, several of the Presidents were hopeful that the operation could be put on a reimbursable basis.

Messrs. Martin, Evans, and Mills made statements in which they indicated that in all the circumstances, including the relatively small annual cost to the Reserve Banks, they would be inclined to favor a recommendation that the postmasters' deposits be handled without reimbursement. Governor Robertson said he believed that ideally the Federal Reserve Banks should perform without reimbursement all fiscal agency services which they undertook for the Government. However, he felt that until some method of control could be developed the Reserve Banks probably should request reimbursement in most instances as a protection against their being called upon to undertake functions which would be difficult to justify. In the case at hand, he considered that the matter of reimbursement was not of great importance, and he indicated if there should be a recommendation that the operation be conducted on a reimbursable basis, he would not oppose that recommendation even though he was opposed to reimbursement in principle.

Reference was then made to the procedure proposed by the Presidents' Conference at yesterday's joint meeting with the Board looking toward the development of an electronic machine designed to count and sort currency of the one-dollar denomination. The Board had stated at

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the meeting yesterday that it would review the matter and advise the Presidents of its views.

At the request of the Board, Mr. Leonard made a statement in which he expressed the opinion that the Federal Reserve Banks would be justified in proceeding with the development work, particularly since this work might suggest much broader areas in which electronic machinery could be used, for example, in the handling of checks. He felt that the cost involved was reasonable, taking the possibilities into consideration. He also pointed out that under the suggested two-phased development contract, the second phase of the work, involving the development of electronic equipment, would not be entered into until the first phase, involving development of the mechanical portion of the equipment, had been completed satisfactorily.

Agreement was expressed with the views stated by Mr. Leonard and it was understood that Chairman Martin would call Mr. Young, the newly-elected Chairman of the Presidents' Conference, on the telephone and advise him that the Board saw no objection to the procedure proposed by the Presidents.

At the instance of Governor Mills, there was a discussion of the remarks made at yesterday's joint meeting by Mr. Erickson, President of the Federal Reserve Bank of Boston, concerning the recommendation of the Presidents' Conference that the Reserve Bank budgetary procedures be revised so as to permit each Bank to estimate expenses for the current

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calendar year, to the extent that estimates were required, for use as base data in projecting annual budgets for the succeeding calendar year. Mr. Erickson had indicated that expenses for six months of the current calendar year would be estimated.

Mr. Leonard said that the recommendation of the Subcommittee on Accounting, which formed the basis for the recommendation of the Presidents' Conference, was that no rigid standard be set up as to the number of months of the current calendar year for which expenses would be estimated and that the extent of estimating be left to the judgment of each Reserve Bank. He assumed that some of the Banks might decide to use as many as eight months' actual expenses in preparing their budgets while others might use six or seven months.

Following a discussion, during which Mr. Leonard stated that in his opinion a good job could be done if there was a reasonable desire on the part of the respective Reserve Banks, and that the Banks probably could do better on the new basis than under the current procedure, it was understood that developments in this connection would be watched closely to determine whether the new procedure produced satisfactory results.

Governor Robertson stated that a group representing member banks in Nassau County, New York, called at his office yesterday afternoon to discuss proposed State legislation which would authorize savings banks

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to establish certain out-of-town branches, this being the same legislative proposal that was supported by the State Superintendent of Banks last year but which was not passed by the legislature. This year, Governor Robertson said, the State Superintendent had indicated that he would not support or push for the legislation although he was not opposed to it. Governor Robertson went on to say that the delegation which visited him yesterday felt that the savings bank branches would represent unfair competition and claimed that adequate facilities for savings were now available in Nassau County.

Governor Robertson said he told the group that he would bring the matter to the Board's attention, but that he believed the Board would take the position that this was a matter for determination within the State of New York and an issue into which the Board would not want to inject itself even though it might be sympathetic to the position of the member banks.

The other members of the Board indicated that they concurred in the views expressed by Governor Robertson and it was understood that the Board would take no action with respect to the matter.

Governor Evans said it was likely that plans for an addition to the building of the Federal Reserve Bank of Minneapolis would be presented to the Board during his forthcoming absence from his office and that, if the plans were presented and the other members of the Board found them satisfactory, he would be agreeable to the Board's acting on the matter at any time.

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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 March 3, 1954, were approved unanimously.

Minutes of the meeting of the Board of Governors of the Federal Reserve System with the Presidents of the Federal Reserve Banks held on March 3, 1954, were approved unanimously.

Letter to the Board of Directors, Princeton Bank and Trust Company, Princeton, New Jersey, reading as follows:

Pursuant to the request submitted through the Federal Reserve Bank of Philadelphia, the Board of Governors extends to August 8, 1954, the time within which the Princeton Bank and Trust Company may establish a branch at the Princeton Shopping Center in Princeton Township, New Jersey, as originally approved in a letter dated September 4, 1952.

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

Letter to the Board of Directors, Maryland Trust Company, Baltimore, Maryland, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of Richmond, the Board of Governors of the Federal Reserve System approves the establishment of a branch on the north side of Eastern Avenue approximately 160 feet east of 54th Street, Baltimore County, by Maryland Trust Company, Baltimore, Maryland, provided the branch is established within six months of the date of approval.

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

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Letter to The Merchants National Bank of Muncie, Muncie, Indiana, reading as follows:

The Board of Governors of the Federal Reserve System has given consideration to your supplemental application for fiduciary powers and grants you authority to act, when not in contravention of State or local law, as guardian of estates, assignee, receiver, committee of estates of lunatics or in any other fiduciary capacity in which State banks, trust companies, or other corporations which come into competition with national banks are permitted to act under the laws of the State of Indiana. The exercise of these powers, in addition to those heretofore granted to act as trustee, executor, administrator and registrar of stocks and bonds, shall be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

A formal certificate indicating the fiduciary powers which The Merchants National Bank of Muncie is now authorized to exercise will be forwarded to you in due course.

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

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

Reference is made to your letter of February 26, 1954, submitting request of the Genesee County Savings Bank, Flint, Michigan, for an additional extension of time in which to establish a branch on Davison Road near Dort Highway within the city limits of Flint, Michigan.

In view of the circumstances outlined in your letter and your favorable recommendation, the Board of Governors further extends until May 15, 1954, the time within which the branch may be established.

Approved unanimously.

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Letter to the Wichita National Bank of Wichita Falls, Wichita Falls, Texas, reading as follows:

The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers and grants you authority to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State of Texas, the exercise of all such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

A formal certificate indicating the fiduciary powers which Wichita National Bank of Wichita Falls is now authorized to exercise will be forwarded to you in due course.

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

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

Thank you for your letter of February 18, transmitting a study of district and branch territory lines and the possible need for additional branches in the Fifth Federal Reserve District.

Though no changes are recommended at this time, it is noted the report concludes that upon completion of present highway development plans in West Virginia, further analysis might support the establishment of an office at Charleston. It is also noted that an extension of mail service from Baltimore might at some future time justify the transfer of two Eastern Shore counties from the Head Office to the Baltimore Branch territory.

Approved unanimously.

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Letter to Mr. Bryan, President, Federal Reserve Bank of Atlanta,
reading as follows:

Thank you for your letter of February 19, transmitting your study of services as they relate to district and branch territory lines in the Sixth Federal Reserve District and stating that your Bank feels it would be inappropriate to recommend changes in existing boundaries at this time since they seem well placed with reference to transportation, communication, and the normal flow of business affairs.

It is noted that when Birmingham Branch facilities are enlarged, your Bank will likely recommend the transfer of southeastern Alabama from the head office to the Birmingham Branch territory.

Approved unanimously.

Letter to The Honorable Hugh Butler, Chairman, Committee on Interior and Insular Affairs, United States Senate, Washington, D. C.,
reading as follows:

This is in response to your letter of February 25, 1954, requesting a report with respect to the bill S. 50, "To provide for the admission of Alaska into the Union", which was reported by your Committee to the Senate on February 24 with a Committee amendment in the nature of a substitute for the entire bill as introduced.

It is noted that this bill, as amended by the Committee substitute, contains in section 17 provisions which would provide for the readjustment of the Federal Reserve Districts so as to include any new State admitted into the Union and require national banks in such new State to become members of the Federal Reserve System. These provisions were recommended by the Board of Governors for inclusion in both the Alaskan and Hawaiian Statehood bills when those bills were under consideration in 1950; and the Board hopes, therefore, that these provisions will be retained in the present bill.

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In view of the fact that your letter requested that this report be expedited, since the bill may be brought up on the floor of the Senate soon, time has not permitted the Board to ascertain from the Bureau of the Budget whether this legislation is in conformity with the program of the President.

Approved unanimously, with
a copy to The Honorable Joseph M.
Dodge, Director, Bureau of the
Budget.



Secretary