

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, May 12, 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. 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. Young, Director, Division of Research and Statistics  
Mr. Solomon, Assistant General Counsel  
Mr. Youngdahl, Assistant Director, Division of Research and Statistics  
Mr. Cherry, Legislative Counsel

There was presented a request from Mr. Riefler for authority to travel, on official business of the Board, to New York on May 25-29, 1954, for the purpose of attending a meeting of the study group on sterling area problems in the Council of Foreign Relations on May 25 and of participating in the celebration of the two hundredth anniversary of Columbia University on May 26-29, 1954.

Approved unanimously.

Before this meeting there had been sent to the members of the Board a draft of statement of Chairman Martin on bills S. 3206 (to amend section 14(b) of the Federal Reserve Act, as amended) and S. 3268 (to

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repeal the provisions of section 16 of the Federal Reserve Act which prohibit a Federal Reserve Bank from paying out notes of another Federal Reserve Bank), to be presented before the Subcommittee on Federal Reserve Matters of the Senate Banking and Currency Committee on Thursday, May 13, 1954. During discussion, a number of changes in the draft of statement were suggested.

At the conclusion of the discussion, the statement was approved unanimously with the understanding that it would be revised to incorporate changes concerning which agreement had been reached during the meeting.

Before this meeting there had been sent to the members of the Board a draft of a proposal for legislation and administrative changes in the Federal Housing Administration Title I home modernization and repair loan program and in the mortgage insurance programs for rental, sales, and cooperative housing. The statement, which had been submitted to the Bureau of the Budget by Mr. Cole, Administrator, Housing and Home Finance Agency, for clearance, had been transmitted to the Board by the Bureau of the Budget late in the afternoon of May 11, 1954, with a request that any comments which the Board might wish to make be given to the Bureau sometime today inasmuch as Mr. Cole expected to present the statement to a committee of the Congress on Thursday of this week.

At Chairman Martin's request, Mr. Riefler commented on the proposals which he stated had been discussed informally at a meeting at which he and Mr. Hardy, Assistant Administrator for Plans and Programs, Housing and Home Finance Agency, had been present last week. Mr. Riefler said that both he and

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Mr. Noyes, Assistant Director, Division of Research and Statistics, had reviewed the statement and were in general agreement that the proposals moved in the direction of establishing safeguards in the Federal Housing Administration program, although there were a few points concerning which he (Mr. Riefler) would make suggestions.

In the course of discussion, Governor Robertson stated that because of the lack of time there was no opportunity to study the proposed changes sufficiently to form an opinion as to their desirability and that he would not wish to express any views at this time regarding them.

Chairman Martin suggested that the Budget Bureau be informed that the Board had not had adequate time to study the proposals and to take a position concerning them and that, therefore, it had no comments to make, but that if representatives of the Budget Bureau wished to do so they might discuss the proposals with Mr. Riefler who would be glad to give them his personal comments.

This suggestion was approved  
unanimously.

Governor Evans stated that he felt it would be desirable for the Board to have in mind suggesting at an appropriate time legislation which would provide that any bank which became a member of the Federal Reserve System would have the same right to determine whether it should also be a member of the Federal Deposit Insurance Corporation that is now given to members of the Federal Deposit Insurance Corporation to determine

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whether they shall be members of the Federal Reserve System.

There was a brief discussion of this suggestion but no conclusion was reached.

At Governor Evans' suggestion, Mr. Leonard, who had visited the Minneapolis and Chicago Reserve Banks last week, made a statement with respect to building programs of Federal Reserve Banks and branches and to the possible need for additional authority for expenditure of funds on buildings at Federal Reserve Bank branches, especially if additional branches were established or if it was determined that a new building should be erected for the Salt Lake City branch. Mr. Leonard also commented on progress being made by the Federal Reserve Bank of Chicago in obtaining options on additional real estate adjoining the head office of the Federal Reserve Bank of Chicago, as well as on a discussion he had last Friday with Mr. Young, President of the Chicago Bank, regarding the desirability of establishing additional branch offices in that district and their possible relationship to a defense program.

Governor Evans reiterated the view he had expressed at earlier meetings of the Board that, in his opinion, it would be desirable for the Federal Reserve Bank of Chicago to proceed promptly with establishment of branches at Des Moines, Iowa, and Indianapolis, Indiana.

During Mr. Leonard's report, Governor Mills withdrew from the meeting to keep an appointment outside the building.

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Governor Vardaman inquired whether a response had been received to the Board's letter addressed to the Federal Reserve Bank of Chicago under date of April 2, 1954, in which the Board requested that the question of the establishment of additional branches in that district be given further consideration by the directors of the Chicago Bank at an early date. The Secretary responded that no reply to the Board's letter had been received up to the present time and, at Governor Vardaman's request, it was understood that the matter would be brought to the attention of the Board for further consideration at a meeting in the near future.

Chairman Martin stated that he and Governor Szymczak met with President Sproul of the Federal Reserve Bank of New York yesterday following the meeting of the executive committee of the Federal Open Market Committee, at which time they discussed the suggestion contained in the report of the Commission on Foreign Economic Policy (Randall Commission) that the Federal Reserve System explore with foreign central banks the possibilities of standby credits or line of credit arrangements as a means of strengthening foreign reserves and of providing foreign exchange support operations to assist in the gradual attainment of general currency convertibility. Chairman Martin said that it was agreed that, since some of the material prepared by the staff relating to this suggestion had been furnished to the Presidents of all Federal Reserve Banks, it would be desirable to bring up the question for discussion with the Presidents at their next conference.



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The discussion with the Presidents would be merely for information purposes and would not be with the view to taking any position.

It was agreed that the suggested procedure should be followed.

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 May 11, 1954, were approved unanimously.

Letter to Mr. Koppang, First Vice President, Federal Reserve Bank of Kansas City, reading as follows:

In accordance with your letter of April 28, 1954, the Board of Governors approves the payment of salary to Miss Barbara Perkins through August 31, 1954, at a rate below the minimum of the grade to which her current job of "Clerk" in the Building Department is assigned.

While the Job Evaluation and Salary Administration Plan calls for the placing of all employees within the limits of their respective grades within a reasonable length of time, the Board understands that in this case Miss Perkins cannot be considered to be filling all of the duties and responsibilities of her position and in all likelihood will not be prior to her departure in August 1954. It is on this basis that the Board approves the below-minimum payment.

Approved unanimously.

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

Reference is made to your letter of May 4, 1954, submitting the request of The Schenectady Trust Company, Schenectady, New York, for an extension of time within which it may establish a branch in the Sheridan Plaza Shopping Center at 1350 Gerling Street in the city of Schenectady.

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It is noted that, although the branch bank quarters should be completed and ready for occupancy by June 11, 1954, work on the access roadways and parking areas may be delayed beyond that date; moreover, the bank wishes to join with other tenants in ceremonies inaugurating the shopping center and it is possible that these tenants will not be ready to open for business at that time. On the basis of this information and in accordance with the Reserve Bank's recommendation, the Board of Governors extends to August 11, 1954, the time within which The Schenectady Trust Company may establish a branch at the location stated above.

Approved unanimously.

Letter to the Board of Directors, The New York Trust Company, New York, New York, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors approves the establishment of a branch at 205 East 42nd Street, New York, New York, by The New York Trust Company, provided the branch is established within six months from the date of this letter.

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

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

This is in further reference to your letter of April 29, 1954, and its enclosures, concerning the applicability of section 32 of the Banking Act of 1933, as amended, to the concurrent service of Mr. James F. Kennedy, as a director of The Trust Company of New Jersey, Jersey City, New Jersey, and as manager of the Jersey City office of Goodbody & Company, New York City.

From the information submitted, it appears that the business of Goodbody & Company of the kinds covered under section 32 has expanded substantially for each of the four years in the period

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1950 to 1953, inclusive. Thus, such information shows that the annual dollar volume of the Company's section 32 business for each of the four years was \$2,520,739, \$7,154,726, \$12,333,331 and \$15,494,586, respectively, and that the percentage ratio of such dollar volume to the dollar volume of the firm's total business increased from .36 per cent for 1950 to 2.86 per cent for 1953.

The information submitted shows also that the annual gross income of the Company from its section 32 business for each of the years 1950 through 1953 was \$97,152, \$99,541, \$346,530 and \$403,725, respectively; that the percentage ratio of such income to the Company's total gross income over the four-year period increased from 1.4 per cent in 1950 and 1951 to 5.5 per cent in 1952, and 5.7 per cent in 1953; and that the number of issues in which the firm participated as underwriter or distributor rose steadily from 117 in 1950 to 217 for 1953.

While the Company apparently does not emphasize underwriting or distributing in its advertising, the Company has stated that it does hold itself out as being in the underwriting and distributing business and that it is planning to set up a separate underwriting or distributing department.

In your letter you indicated it to be the view of your Bank, in which Bank Counsel concurred, that Goodbody & Company should be now regarded as "primarily engaged" in business of the kinds covered under section 32 and that, therefore, the interlocking relationship involving Mr. Kennedy is prohibited by the statute. On the basis of information presented, the Board agrees with your views. Accordingly, it is assumed that steps will be taken in due course to bring the matter in question into conformity with the statute.

Approved unanimously.

Letter to Mr. Edmund Doolan, Deputy and Acting Treasurer, Office of the Treasurer of the United States, Treasury Building, Washington, D. C., reading as follows:

In your letter of April 7, 1954, it is stated that the Director of Audits of the General Accounting Office advised the Treasurer on February 23, 1954, that the transmittal of



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paid checks and other documents relating to the disbursing account of the Gold Certificate Fund, Federal Reserve System account symbol 17220, to the General Accounting Office no longer served any useful purpose.

Accordingly, your office proposes to forward to the Board of Governors the paid checks together with the usual monthly statement of the Gold Certificate Fund.

The procedure suggested is agreeable to the Board.

Approved unanimously.

  
Secretary