

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, November 24, 1954. The Board met in the Board Room at 10:15 a.m.

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

Mr. Carpenter, Secretary  
Mr. Sherman, Assistant Secretary  
Mr. Kenyon, Assistant Secretary  
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. Sloan, Director, Division of Examinations  
Mr. Hackley, Assistant General Counsel  
Mr. Noyes, Assistant Director, Division of Research and Statistics  
Mr. Youngdahl, Assistant Director, Division of Research and Statistics  
Mr. Thompson, Federal Reserve Examiner, Division of Examinations

In accordance with an understanding with Chairman Martin, Mr. David M. Kennedy of the Treasury Department and Mr. Knute C. Borregard of the Federal National Mortgage Association were present to discuss with the Board the proposal that the Federal Reserve Banks act as fiscal agents in connection with the issuance by the Association of debentures against certain of its mortgage holdings. There had been preliminary consideration of the matter by the Board at the meeting on November 18, 1954, at which time it was understood that Chairman Martin would confer with Messrs. Kennedy and Borregard and advise them of certain tentative

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views expressed by the Board with respect to the proposal.

Messrs. Kennedy and Borregard reviewed and explained in some detail the reasons underlying the proposal, the manner in which they anticipated that the operation would be carried out, and the functions which the Federal Reserve Banks would be expected to perform. In response to questions by members of the Board, they made it clear that the plan did not contemplate that the Federal Reserve Banks would go beyond those activities normally associated with a fiscal agency function. They also said that the Treasury and the Federal National Mortgage Association would assume responsibility for policy decisions and for promotion of public interest in the debentures.

Chairman Martin then stated to Messrs. Kennedy and Borregard that the Board would give further consideration to the proposal and advise them of its conclusions as soon as possible.

Messrs. Kennedy and Borregard then withdrew from the meeting and there ensued a further discussion of the proposal in the light of their comments. It was the general feeling of the Board that although there were some features of the plan which might cause misgivings, it would be difficult for the Board to interpose objection to having the Federal Reserve Banks act as fiscal agents in connection with the debentures if, as Messrs. Kennedy and Borregard had stated, the functions of the Reserve Banks were limited strictly to those of a fiscal agency nature, as distinguished from promotional activities.

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In the circumstances, it was suggested that Governor Szymczak get in touch with Mr. Leach, as Chairman of the Committee on Fiscal Agency Operations of the Presidents' Conference, advise him that the Board had no objection to the Banks acting as fiscal agents in the manner proposed, and suggest that he request the appropriate subcommittees of the Presidents' Conference to explore with representatives of the Federal National Mortgage Association the working out of the detailed arrangements.

The suggested procedure was approved unanimously, with the understanding that Mr. Borregard would be informed of the reference of the matter to the Presidents' Conference.

Mr. Leonard then withdrew from the meeting.

The following matters, which had been circulated to the members of the Board, were presented for consideration and action taken as indicated:

Letter to Mr. Hill, Vice President, Federal Reserve Bank of Philadelphia, reading as follows:

In accordance with the request contained in your letter of November 10, 1954, the Board approves the appointment of Samuel Joseph Culbert, Jr., as an assistant examiner for the Federal Reserve Bank of Philadelphia. Please advise as to the date upon which the appointment is made effective.

Approved unanimously.

Letter to the Board of Directors of the Paoli Bank, Paoli, Pennsylvania, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of Philadelphia, the Board of Governors

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approves the establishment of a branch in West White-land Township, Chester County, Pennsylvania, at a point along United States Highway 30, approximately 6.7 miles west of Paoli, by the Paoli Bank, provided the branch is established within one year of the date of this letter.

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

Letter to the Board of Directors, Farmers and Merchants Trust Company of Chambersburg, Chambersburg, Pennsylvania, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of Philadelphia, the Board of Governors approves the establishment of a branch by the Farmers and Merchants Trust Company of Chambersburg at 144-154 Lincoln Way East, Chambersburg, Pennsylvania, provided the branch is established within six months from the date of this letter.

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

Letter to the Board of Directors, Wachovia Bank and Trust Company, Winston-Salem, North Carolina, 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 at the corner of South Boulevard and Griffith Street, Charlotte, North Carolina, by Wachovia Bank and Trust Company, Winston-Salem, North Carolina, provided the branch is established within six months of the date of this letter.

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

Letter to the Board of Directors, Eaton County Savings Bank, Charlotte, Michigan, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of Chicago, the Board of Governors



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of the Federal Reserve System approves the establishment, by Eaton County Savings Bank, of a branch in Vermontville, Michigan, provided the proposed consolidation with the Barber State Bank, Vermontville, Michigan, is effected as proposed, the branch is established within six months from the date of this letter, and formal approval is given by the appropriate State authorities. It is understood that the title of the consolidated institution will be "Eaton County Bank".

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

Memorandum dated November 17, 1954, from the Division of Examinations regarding a request from the Federal Reserve Bank of Cleveland for informal consideration of a plan presented by The Peoples-Liberty Bank and Trust Company, Covington, Kentucky, to establish a branch in Ludlow, Kentucky, through absorption of The First National Bank of Ludlow. Following a review of the circumstances involved, the memorandum recommended that the Reserve Bank be advised informally that favorable consideration would be given to the proposal by the Board provided the fixed assets acquired from the national bank were not placed on the books of The Peoples-Liberty Bank and Trust Company at an amount in excess of their depreciated value for income tax purposes.

Approved unanimously.

There were presented requests from Mr. Solomon, Assistant General Counsel, and Mr. Goodman, Assistant Director, Division of Examinations, for authority to travel to New York, New York, during the period November 28-December 1, 1954, to attend a meeting of the Special Committee on Foreign Operations of American Banks to consider questions regarding bankers' acceptances.

Approved unanimously.

Messrs. Sloan, Hackley, Noyes, and Thompson then withdrew and Messrs. Thurston, Assistant to the Board, and Cherry, Legislative Counsel, entered the room.

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Yesterday afternoon there had been sent to the members of the Board, pursuant to the understanding at the meeting on November 22, 1954, revised drafts of answers to the second, fourth, and fifth questions asked of Chairman Martin by the Congressional Joint Committee on the Economic Report preparatory to the hearings on monetary policy to be held by the Subcommittee on Economic Stabilization on December 6 and 7. Copies of the revised draft of the answer to the first question were distributed just prior to this meeting.

The changes which had been made from the previous drafts of the answers to the second, fourth, and fifth questions were reviewed and various suggestions were made by the members of the Board for additional changes.

At the conclusion of the discussion, it was agreed unanimously that the answer to the first question would be revised in the light of any suggestions which the members of the Board might make to Mr. Young before three o'clock this afternoon, and that the answers to the four questions, in their final form, would then be sent to Senator Flanders, Chairman of the Subcommittee. It was also understood that consideration would be given at a meeting of the Board on Friday, November 26, to a revised answer to the third question which was being prepared by Mr. Riefler.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on November 22, 1954, were approved unanimously.

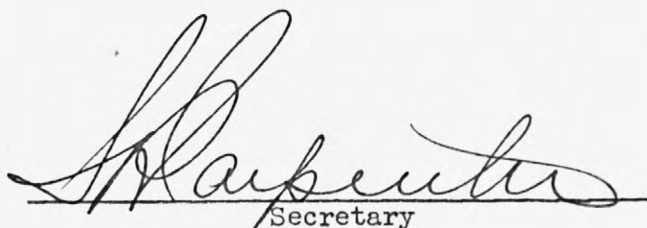
The meeting then adjourned.

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Pursuant to the procedure approved by the Board on November 1, 1954, the following persons were appointed as consultants until June 30, 1955, on a temporary contractual basis, to work on the evaluation of available economic statistics in fulfillment of the Talle Subcommittee request, with compensation at the rate of \$50 per day for each day worked for the Board, either in Washington or outside the city, plus a per diem in lieu of subsistence of \$15 for the amount of time spent in a travel status in connection with their assignments and transportation expenses in accordance with the Board's travel regulations applicable to an assistant division director, and with the understanding that for purposes of travel the headquarters of each individual would be either the home or place of business:

Edward Shaw	Staff member, Brookings Institution, and Professor of Economics, Stanford University
William Shaw	Director of Research, Textile Division, E. I. du Pont de Nemours
Joseph K. Heyman	Vice President, The Trust Company of Georgia
Lester Kellogg	Economist, John Deere & Company
Martin Gainsbrugh	Chief Economist, National Industrial Conference Board
Albert G. Hart	Professor of Economics, Columbia University
Sanford Parker	Associate Editor, Fortune Magazine
Elmer Bratt	Professor of Economics, Lehigh University
Ashley Wright	Economist, Standard Oil Company of New Jersey
Arthur Smithies	Professor of Economics, Harvard Uni- versity

  
Secretary