

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, February 3, 1955. The Board met in the Board Room at 10:15 a.m.

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

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. Vest, General Counsel
 Mr. Johnson, Controller, and Director, Division of Personnel Administration
 Mr. Sprecher, Assistant Director, Division of Personnel Administration

The following matters, which had been circulated among the members of the Board, were presented for consideration and the action taken in each instance was as indicated:

Memorandum dated January 26, 1955, from Mr. Leonard, Director, Division of Bank Operations, recommending that the Board approve the appointment of Dorothy L. Duvall as Statistical Clerk in that Division, with basic salary at the rate of \$3,415 per annum, effective as of the date on which she enters upon the performance of her duties.

Approved unanimously.

Memorandum dated January 31, 1955, from Mr. Sloan, Director, Division of Examinations, recommending that the Board grant W. B. Lassen, Federal Reserve Examiner in that Division, leave of absence without pay for the period beginning February 1, 1955, and ending February 28, 1955. The memorandum also recommended that the Office of the Controller be authorized to continue the Board's contributions to the Bank Plan of the Retirement System of the Federal Reserve Banks through February 28, 1955, with the understanding that Mr. Lassen would continue his own contributions during this period.

Approved unanimously.

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

A group of commercial banks has submitted to the Board of Governors, for its consideration, a proposal that the Federal statutes be amended to permit national banks and member State banks to underwrite and deal in so-called "revenue bonds" of State and local governments and their agencies. Enclosed herewith are copies of

- (1) a memorandum in support of the proposal, dated October 20, 1954, prepared by the commercial banking group;
- (2) an opposing memorandum dated December 3, 1954, prepared by a committee representing investment bankers;
- (3) memoranda dated January 20 and 21, 1955, in the nature of a reply by the commercial banking group to the December 3 memorandum of the investment bankers.

It will be appreciated if you will give consideration to this proposal and inform the Board of your views with respect thereto by March 1, 1955, if that is feasible.

Approved unanimously.

Reference was made to the discussion at the meeting on January 31, 1955, with regard to the record of policy actions of the Board of Governors to be included in the Annual Report for 1954, particularly the action on July 2, 1954, amending Regulation J, Check Clearing and Collection, and Regulation G, Collection of Noncash Items. Governor Vardaman, to whom the matter had been referred at the meeting on January 31, reported that he had conferred with the staff and that tentative agreement had been reached on a draft of entry. The draft was discussed in the light of the form of presentation of policy record entries in annual reports in the past and the language of the Federal Reserve Act pertaining to the maintenance of a record of policy actions. As the result of

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suggestions made during the course of this discussion, the staff was requested to prepare alternative drafts covering the action on July 2, 1954, for the further consideration of the Board.

Prior to this meeting Governor Mills had sent to the other members of the Board copies of a letter concerning the Retirement System of the Federal Reserve Banks which was addressed to him under date of January 20, 1955, by President Bryan, Chairman of the Executive Committee of the Retirement System. Mr. Bryan's letter was written in the light of the Board's letter of December 22, 1954, to President Young, Chairman of the Presidents' Conference, in which the Board stated that it concurred in the recommendation of the Conference that no action be taken at this time to amend the rules and regulations of the Retirement System to reflect the 1954 amendments of the Social Security Act, but that the Board would like to have further study initiated so that the System might be able to meet on a broad policy basis proposals that would arise in connection with any further expansion of Social Security benefits. President Young had referred the Board's letter to President Bryan with the suggestion that the Executive Committee and the Board of Trustees of the Retirement System might be the appropriate bodies to undertake the further study and with the further suggestion that Mr. Bryan discuss the matter with Mr. Wurts, Chairman of the Retirement Committee, to ascertain what course the survey should take. In his letter to Governor Mills, Mr. Bryan suggested the desirability of a more fundamental and comprehensive re-examination of the Retirement

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System and raised the question whether the Executive Committee was the appropriate body to conduct such a reappraisal or whether a select committee representing all of the parties at interest might be more appropriate.

At the request of the Board, Governor Mills reviewed the content and background of Mr. Bryan's letter and said that Mr. Wurts and President Johns, Chairman of the Committee on Personnel of the Presidents' Conference, to whom copies of the letter had been sent, had subsequently advised him that they concurred in Mr. Bryan's position. Governor Mills went on to say that when he attended the meeting of the Investment Committee of the Retirement System earlier this week he had an opportunity to raise the question with several Reserve Bank Presidents (Messrs. Erickson, Leach, Young, and Leedy) who appeared to share the feeling that a broad reappraisal of the Retirement System would be desirable. Governor Mills said that if the Board of Governors concurred in this view the question would be whether the initiative should come from the Board or the Presidents' Conference. He favored the latter course and suggested that the Presidents might be asked to put the matter on the agenda for the next meeting of the Presidents' Conference, with the request that it then be discussed at the joint meeting of the Board with the Presidents, particularly the question of how an over-all review should be undertaken.

In a discussion which followed, agreement was expressed with the course proposed by Governor Mills and there was also concurrence in the suggestion that the study should be undertaken by an outside consultant

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or consulting firm that would not only be entirely competent but also entirely disinterested, directly or indirectly, in the outcome of the study.

At the conclusion of the discussion, unanimous approval was given to a letter to President Bryan in the following form:

Governor Mills has brought to the attention of the Board your letter of January 20, 1955, relating to a possible basic review of the entire Retirement System of the Federal Reserve Banks.

The Board would concur in such a review and would suggest that the matter be placed on the agenda for the next meeting of the Presidents' Conference. When the Presidents have had an opportunity to consider the matter and the question of how an over-all review, if thought desirable, should be undertaken, the matter could be discussed at the joint meeting of the Presidents and the Board following the meeting of the Presidents' Conference.

It is noted in this connection that, without any thought of lack of confidence in those responsible for the operation of the Retirement System in the past, the suggestion has been made that any person or firm retained to make the proposed study or to serve in a consulting capacity in connection with it should be not only thoroughly competent but also entirely disinterested either directly or indirectly in the outcome. The Board of Governors is in agreement with this suggestion.

At this point Governor Mills withdrew from the meeting to keep an outside appointment. All of the members of the staff who were present except Messrs. Carpenter, Sherman, and Kenyon also withdrew at this point.

At the instance of Governor Vardaman there was an informal discussion of the procedure that might be followed with regard to the recording of votes of members of the Board not present at a meeting when action is taken. No decisions were reached but there was general agreement

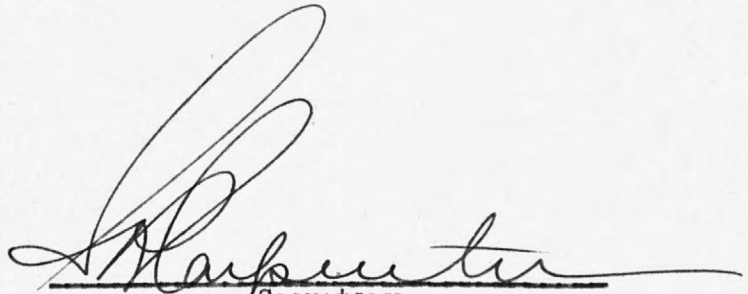
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that this was not a matter which would lend itself to the promulgation of inflexible rules of procedure.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on February 2, 1955, were approved unanimously.

The meeting then adjourned.



Secretary

The following matters

of the Board, were presented

at each meeting as follows:

Letter to the Federal Reserve Commission, Washington

In accordance with the Civil Service Commission's action of the Federal Reserve Act, Mr. H. Franklin ... the Division of Research ... as the Director of the Federal Reserve ...

Letter to Mr. ... as follows:

Reference is made to ...