

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, April 13, 1955. The Board met in the Board Room at 3:30 p.m.

PRESENT: Mr. Martin, Chairman  
Mr. Balderston, Vice Chairman  
Mr. Szymczak  
Mr. Vardaman  
Mr. Robertson  
Mr. Shepardson

Mr. Carpenter, Secretary  
Mr. Sherman, Assistant Secretary  
Mr. Kenyon, Assistant Secretary  
Mr. Thurston, Assistant to the Board  
Mr. Riefler, Assistant to the Chairman  
Mr. Young, Director, Division of Research and Statistics  
Mr. Horbett, Assistant Director, Division of Bank Operations  
Mr. Molony, Special Assistant to the Board

Chairman Martin reported having received a telephone call from Mr. Leedy, President of the Federal Reserve Bank of Kansas City, who advised that at its meeting this morning the Board of Directors of the Bank established by unanimous vote, subject to the approval of the Board of Governors, a rate of  $1\frac{3}{4}$  per cent on discounts for and advances to member banks under sections 13 and 13a of the Federal Reserve Act, and a rate of 3 per cent on advances to individuals, partnerships, or corporations other than member banks under the last paragraph of section 13, both effective April 14, 1955, and established without change other rates of discount and purchase in the Bank's existing schedule.

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Secretary's Note: A confirming telegram from Mr. Hall, Chairman of the Kansas City Bank, received after the meeting, stated that the action to increase the discount rate was taken to place the rate in closer relationship with short-term market rates that had moved upward in response to strong demands for credit; that, while the aggregate demand for credit had not yet been so strong as to involve major inflationary pressures, the growing evidence of spot shortages of certain commodities and of anticipatory ordering of many goods made it desirable, in the opinion of the Board of Directors, that the credit rationing effects of higher interest rates be allowed to exert their restraining influence; and that this course, in turn, was felt by the directors to require that restraint be placed on discounts.

All of the members of the Board expressed themselves as favoring approval of the action taken by the Board of Directors of the Kansas City Bank. In commenting on the matter, Governor Vardaman said that although he did not like to see the discount rate increased at this time, he felt that approval by the Board would be justified in view of the current level of rates on Treasury bills. He also expressed himself as believing that the Reserve Banks should have independence of action in this respect within reasonable limits.

Chairman Martin then raised for consideration the question whether the Board wished to approve the increase in the rate at the Federal Reserve Bank of Kansas City today or to wait until it was ascertained whether other Federal Reserve Banks took similar action at directors'

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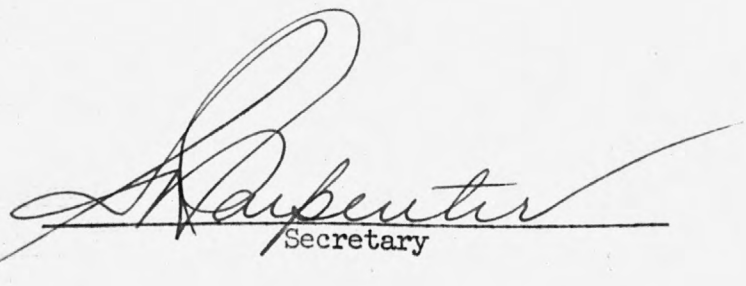
meetings this week. The members of the Board were unanimous in the view that there was no reason to defer action.

Accordingly, unanimous approval was given to a telegram to Chairman Hall reading as follows, with the understanding that advice would be sent by telegram to the Presidents of all Federal Reserve Banks and the Vice Presidents in charge of Federal Reserve Bank branches, that the usual press statement would be issued, and that a notice would be sent to the Federal Register:

Reurtel date. Board approves effective April 14, 1955 rates of 1-3/4 per cent on discounts for and advances to member banks under sections 13 and 13a and 3 per cent on advances to individuals, partnerships, or corporations other than member banks under last paragraph of section 13. Otherwise Board approves establishment by your Bank, without change, of rates of discount and purchase in Bank's existing schedule. Board's announcement on change in discount rate is being handed to press at 4:25 p.m. EST today for immediate release.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on April 12, 1955, were approved unanimously.

The meeting then adjourned.



Secretary