

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, May 3, 1955. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
 Mr. Balderston, Vice Chairman
 Mr. Szymczak
 Mr. Vardaman
 Mr. Mills
 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. Thomas, Economic Adviser to the Board
 Mr. Vest, General Counsel
 Mr. Young, Director, Division of Research and Statistics
 Mr. Daniels, Assistant Controller, Office of the Controller
 Mr. Hackley, Assistant General Counsel

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

Memorandum dated April 21, 1955, from Mr. Bethea, Director, Division of Administrative Services, recommending the appointment of Robert I. Stewart as Messenger in that Division, with basic salary at the rate of \$2,500 per annum, effective as of the date on which he enters upon the performance of his duties.

Approved unanimously.

Letter to Mr. Powell, President, Federal Reserve Bank of Minneapolis, reading as follows:

In accordance with the requests contained in your letters of April 22, 1955, the Board approves the appointments of Dale W. Hathaway and Earl O. Beeth as

5/3/55

-2-

examiners for the Federal Reserve Bank of Minneapolis, effective May 16, 1955.

It is noted that Mr. Beeth is indebted to the Highland Park State Bank, St. Paul, Minnesota, a nonmember bank, in the amount of approximately \$2,700, secured by a mortgage on his home. It is assumed that he will not be authorized to participate in any examination of the Highland Park State Bank, St. Paul, Minnesota, until his indebtedness to the bank has been liquidated or otherwise eliminated.

Approved unanimously.

There was presented a request from Mr. Williams, Assistant Director, Division of Research and Statistics, for authority covering travel to Philadelphia, Pennsylvania, during the period May 1-3, 1955, for the purpose of attending a meeting of the Committee on Current Business Developments.

Approved unanimously.

Pursuant to the understanding at the meeting yesterday, there had been sent to the members of the Board copies of a revised draft of testimony on the financing problems of small business to be given by Vice Chairman Balderston before the Subcommittee on Small Business of the Senate Banking and Currency Committee. Information had now been obtained that the schedule of the hearings called for the presentation of this testimony on Wednesday, May 4.

Governor Balderston said that the revised draft incorporated suggestions made at the meeting yesterday, along with certain editorial changes suggested by Governor Robertson subsequent to the meeting. He

5/3/55

-3-

added that the revised draft also included a number of editorial revisions which were made at his suggestion but which did not affect the substance of the testimony. He then distributed copies of a statement on the operations of the Federal Reserve System under Section 13b of the Federal Reserve Act, stating that at first he had felt that such a statement might be added to the testimony but that after discussing the matter with members of the staff it was his view that the statement should be kept separate from the testimony and submitted for the record, if that seemed appropriate in the light of developments at the hearing.

Following a discussion, the statement to be given by Vice Chairman Balderston was approved unanimously, and it was understood that the supplementary statement of operations under Section 13b would be used by him in such manner as he saw fit.

Pursuant to the understanding at the meeting on April 19, 1955, a memorandum had been prepared for transmittal to the Presidents of all Federal Reserve Banks and to the Federal Advisory Council concerning the problem of dealing with questions regarding indirect payment of interest on deposits within the meaning of the law and the Board's Regulation Q, Payment of Interest on Deposits. The memorandum, as drafted, had been circulated to the members of the Board prior to this meeting.

At the conclusion of a discussion during which certain changes in the memorandum were suggested, it was agreed unanimously that the memorandum, revised in the light of comments made at this meeting, would be sent to the Presidents of all Federal Reserve Banks with a

5/3/55

-4-

letter of transmittal reading as follows, and that copies would be sent to the Federal Advisory Council pursuant to the statement made in the Board's letter of April 22, 1955, proposing topics for discussion by the Council at its meeting later this month:

There is enclosed for your information a memorandum relating to the problem of dealing with questions of what constitutes an indirect payment of interest on deposits within the meaning of the law and the Board's Regulation Q. This memorandum is believed to be self-explanatory, and it will be appreciated if you will consider the matter and give the Board the benefit of such views and comments as may occur to you, at your early convenience.

Prior to this meeting there had been sent to the members of the Board copies of a draft of letter to the Honorable Rowland R. Hughes, Director of the Bureau of the Budget, commenting on the Report on Paperwork Management submitted to the Congress by the Commission on Organization of the Executive Branch of the Government (the Hoover Commission).

Discussion of the proposed reply centered principally around a question raised by Governor Balderston as to whether the letter should refer, in commenting on the recommendations of the Commission and its task force, to the Board's special status in the Governmental organization. It was also suggested that inasmuch as several of the recommendations of the task force were specifically applicable to other agencies, it seemed doubtful whether the Board should express any opinion with respect to them.

At the conclusion of the discussion, unanimous approval

5/3/55

-5-

was given to a letter to Mr. Hughes, for the signature of Chairman Martin, in the following form:

In response to your request of March 4, 1955, the Board of Governors has carefully reviewed Part I of the report on Paperwork Management submitted to the Congress by the Commission on Organization of the Executive Branch of the Government.

While several of the recommendations relate to operations not carried on by the Board, it believes that the overall program contemplated by the recommendations of the Commission and of the Task Force approved by the Commission could produce information and procedures which would be of substantial value. For some time the Board has had in effect an arrangement under which continuing studies are made for the purpose of eliminating duplication and outmoded procedures and equipment and assuring efficiency in the provision, use, maintenance, and replacement of equipment and in the control and standardization of forms.

The Board would, of course, be interested in obtaining, when available, Part II of the Commission's report concerning the Task Force's investigation of the "Standard Form" program of the Bureau of the Budget.

Chairman Martin stated that Mr. Riefler had been invited to participate, on Thursday, July 14, 1955, in the Massachusetts Institute of Technology's summer program on real estate finance by giving a talk concerning the manner in which Federal Reserve policy is formulated. He suggested that Mr. Riefler be authorized to accept the invitation if he so desired.

This suggestion was approved unanimously.

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

The meeting then adjourned.


Secretary