

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, May 16, 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. Robertson
Mr. Shepardson

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. Vest, General Counsel
Mr. Johnson, Controller, and Director, Division of Personnel Administration
Mr. Solomon, Assistant General Counsel
Mr. Cherry, Legislative Counsel

The following members of the staff of the Division of Research and Statistics also were present:

Mr. Young, Director
Mr. Garfield, Adviser on Economic Research
Miss Burr, Assistant Director
Mr. Koch, Assistant Director
Mr. Eckert, Chief, Banking Section
Mr. Gehman, Chief, Business Conditions Section
Mr. Jones, Chief, Consumer Credit and Finances Section
Mr. Miller, Chief, Government Finance Section
Mr. Simpson, Chief, Business Finance and Capital Markets Section
Mr. Weiner, Chief, National Income, Moneyflows, and Labor Section
Mr. Allen, Economist
Mr. Trueblood, Economist
Mr. Wernick, Economist
Mr. Wood, Economist

Mr. Harris, First Vice President, Federal Reserve Bank of Chicago, also attended the meeting

5/16/55

-2-

Following a review of business and economic developments by the Division of Research and Statistics, all of the representatives of that Division except Mr. Young withdrew from the meeting. Messrs. Harris and Thomas also withdrew at that point, while Messrs. Sloan, Director, Division of Examinations, and Horbett, Assistant Director, Division of Bank Operations, entered the room.

In accordance with the understanding at the meeting on May 11, 1955, there had been prepared a draft of letter to the Chairman of the House Committee on the Judiciary reporting on Bill H. R. 5948, "To amend the Clayton Act by prohibiting the acquisition of assets of other banks by banks, banking associations, and trust companies when the effect may be substantially to lessen competition, or to tend to create a monopoly". The draft was intended to reflect views expressed at the meeting on May 11, and copies had been sent to the members of the Board with Mr. Vest's memorandum dated May 12. Subsequently, Governor Robertson made certain suggestions and these were incorporated in an amended draft, copies of which were sent to the members of the Board with a memorandum from Mr. Vest dated May 16. Both drafts took a position in favor of the objective of the proposed legislation, but suggested the desirability of certain changes in the bill in order to make the provisions of the law practical and effective. One of these changes would place exclusively under the Attorney General all aspects of the enforcement of section 7 of the Clayton Act relating to banks; the other change would provide for advance approval

5/16/55

-3-

of proposed bank mergers and consolidations by the appropriate Federal bank supervisory agency, with the understanding that the agency would be authorized in its discretion to request the views of the Attorney General.

The draft which took into account Governor Robertson's suggestions was discussed by the Board and several suggestions for changes in language were made. Governor Mills then commented on the broader aspects of the letter, expressing apprehension that the approach might be interpreted as an attempt to obtain authority in the field of bank mergers beyond that contemplated by H. R. 5948. He suggested that the letter might be phrased in terms of citing the apparent objectives of H. R. 5948, indicating the changes which the Board deemed necessary to achieve those objectives, and pointing out that the result would be to confer on the bank supervisory agencies various powers which they do not now possess.

During the discussion Governor Vardaman withdrew from the meeting to keep another appointment. Before leaving he stated that he would be willing to go along with whatever report to the House Committee might be decided upon by the Board, but suggested that serious consideration should be given to the points raised by Governor Mills.

Following further discussion, Governor Robertson proposed that the matter be considered further by the Board in the light of the comments made at this meeting before a report was sent. To facilitate such further consideration, Governor Balderston suggested that a draft of report be prepared reflecting the point of view expressed by Governor Mills, along

5/16/55

-4-

with a draft reflecting the minor changes which had been proposed in the draft which was discussed at this meeting.

There was agreement with these suggestions.

Messrs. Riefler, Vest, Sloan, Horbett, Solomon, and Cherry then withdrew from the meeting.

There had been sent to the members of the Board copies of a memorandum dated May 12, 1955, from Mr. Sprecher, Assistant Director, Division of Personnel Administration, recommending that G. Mildred Lawrence, Telephone Operator in the Division of Administrative Services, be loaned to the White House, on a reimbursable basis, for a period of about 30 days beginning May 16, 1955.

Following comments by Mr. Johnson on the circumstances involved in the request from the White House, the recommendation was approved unanimously.

There were presented telegrams to the Federal Reserve Banks of Boston, New York, Cleveland, Richmond, Atlanta, St. Louis, Minneapolis, Kansas City, and Dallas, approving the establishment without change by the Federal Reserve Bank of Boston on May 9, by the Federal Reserve Bank of Kansas City on May 11 and 12, and by the Federal Reserve Banks of New York, Cleveland, Richmond, Atlanta, St. Louis, Minneapolis, and Dallas on May 12, 1955, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

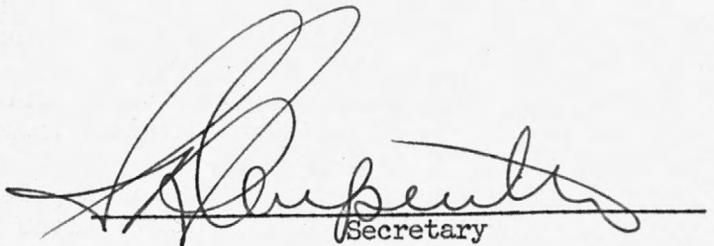
5/16/55

-5-

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

The meeting then adjourned.

PRESENT: Mr. [unclear]
Mr. [unclear]
Mr. [unclear]
Mr. [unclear]
Mr. [unclear]
Mr. [unclear]
Mr. [unclear]


Secretary

before the meeting [unclear]
Memoranda [unclear]
present with the Board [unclear]
The Council [unclear]
[unclear]
1. Consideration [unclear]
the [unclear]
[unclear]
The [unclear]
[unclear]
[unclear]