

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, May 18, 1955. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman  
 Mr. Balderston, Vice Chairman  
 Mr. Mills  
 Mr. Robertson  
 Mr. Shepardson

Mr. Carpenter, Secretary  
 Mr. Sherman, Assistant Secretary  
 Mr. Kenyon, Assistant Secretary  
 Mr. Thurston, Assistant to the Board  
 Mr. Johnson, Controller, and Director,  
 Division of Personnel Administration  
 Mr. Cherry, Legislative 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:

Memoranda from appropriate individuals concerned recommending actions with respect to the Board's staff as follows:

Appointment, effective upon the  
 date of assuming duties

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>
Mary Ann Nichols, Clerk-Typist	Research and Statistics	\$2,950

Salary increases, effective May 22, 1955

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
	<u>Research and Statistics</u>		
Kathryn E. Ridgway, Clerk		\$3,335	\$3,415

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Salary increases, effective May 22, 1955 (continued)

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>International Finance</u>			
Rosa Ernst, Economist (Editorial)		\$5,435	\$5,560
<u>Examinations</u>			
Clinton R. Dow, Assistant Federal Reserve Examiner		3,920	4,205
<u>Bank Operations</u>			
David C. Crockett, Analyst		5,185	5,310
Barbara Bauman Hart, Clerk		3,415	3,495
<u>Administrative Services</u>			
Edna L. Benjamin, Cafeteria Helper (part-time)		1,315	1,350
Thomas V. Kopfman, Clerk (Composition)		4,846	5,096
John M. Pope, Guard		2,830	2,910
Levernon Wood, Operator, Duplicating Devices		2,870	3,140

Promotions and salary increases

Dora Fowler, from the position of Junior Supervisor to the position of Assistant Manager, Cafeteria, in the Division of Administrative Services, on a temporary basis through June 30, 1955, with an increase in her basic salary from \$3,230 to \$3,410 per annum, effective May 22, 1955.

Vera V. Dulin, from the position of Cafeteria Helper to the position of Cashier, Cafeteria, in the Division of Administrative Services, with an increase in her basic salary from \$2,840 to \$2,910 per annum, effective May 22, 1955.

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Acceptance of resignation

Shirley Anne Cohran, Clerk-Typist, Division of Research and Statistics, effective May 4, 1955.

Approved unanimously.

Memorandum dated May 9, 1955, from Mr. Young, Director, Division of Research and Statistics, recommending that William F. Hellmuth, Economist in that Division, be authorized to accept an invitation to present a paper on the corporate income tax during the 1955 annual meeting of the National Tax Association, to be held October 17-21, 1955, in Detroit, Michigan.

Approved unanimously.

Letter to Mr. Phelan, Vice President, Federal Reserve Bank of New York, reading as follows:

In accordance with the request contained in your letter of May 5, 1955, the Board approves the appointments of Joseph M. Halpern and Harry W. Meier as assistant examiners for the Federal Reserve Bank of New York. Please advise as to the salary rates and the dates upon which the appointments are made effective.

The Board also approves the designation of Eugene P. Emond as a special assistant examiner for the Federal Reserve Bank of New York.

It is noted that Mr. Emond is indebted to the Industrial Bank of Commerce, New York, New York, in the amount of \$1,000 to cover medical and other expenses. It is assumed that he will not be authorized to participate in any examination of the Industrial Bank of Commerce, New York, New York, until his indebtedness to the bank has been liquidated or otherwise eliminated.

Approved unanimously.

Letter to Mr. Earhart, President, Federal Reserve Bank of San Francisco, reading as follows:

The Board of Governors approves the payment of salaries to the following named officers for the period May 1, 1955, through December 31, 1955, at the rates indicated, which are the rates fixed by the board of directors as reported in your letter of May 6, 1955:

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<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
W. M. Brown	Assistant Manager, Portland Branch	\$ 8,000
A. B. Merritt	Assistant Manager, Portland Branch	11,000

Approved unanimously.

Letter to Mr. Latham, Vice President, Federal Reserve Bank of Boston, reading as follows:

Reference is made to your letter of May 2, 1955, regarding the request of the Newton-Waltham Bank and Trust Company, Waltham, Massachusetts, for a further extension of three months within which to establish a branch in the Upper Falls section of Newton, Massachusetts.

After consideration of all the information available, the Board concurs in your recommendation and extends to September 9, 1955, the time within which the Newton-Waltham Bank and Trust Company, Waltham, Massachusetts, may establish the aforementioned branch, as originally approved in the Board's letter of June 9, 1954. Please advise the bank accordingly.

Approved unanimously.

Letter to the Board of Directors, The North Fork Bank and Trust Company, Mattituck, New York, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors approves the establishment of a branch by The North Fork Bank and Trust Company, Mattituck, New York, at the present location of the Bank of Southold, in the Village of Southold, New York, provided (a) the merger of the Bank of Southold into The North Fork Bank and Trust Company is effected substantially in accordance with the Plan and Agreement of Merger dated as of March 8, 1955; (b) that formal approval is obtained from appropriate State authorities and (c) the merger and establishment of the branch are accomplished within six months from the date of this letter.

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

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Letter to the Board of Directors, The Central Trust Company, Cincinnati, Ohio, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of Cleveland, the Board of Governors of the Federal Reserve System approves the establishment of a branch on Beechmont Avenue, one block east of Salem Road, Anderson Township, Hamilton County, Ohio, by The Central Trust Company, Cincinnati, Ohio, provided the branch is established within one year from the date of this letter.

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

Letter to The First National Bank of Lincolnton, Lincolnton, North Carolina, reading as follows:

The Board of Governors of the Federal Reserve System has given consideration to your supplemental application for fiduciary powers and grants you authority to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies, or other corporations which come into competition with national banks are permitted to act under the laws of the State of North Carolina. The exercise of these powers shall be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System. A formal certificate indicating the fiduciary powers which The First National Bank of Lincolnton is now authorized to exercise will be forwarded to you in due course.

The specific authorizations granted on April 23, 1952, to act as trustee under agreement dated February 25, 1952, between Economy Finance Company, Inc., and The First National Bank of Lincolnton; and on April 1, 1954, to act as trustee under agreement dated January 12, 1950, between Lincoln Finance Company, Inc., and The First National Bank of Lincolnton, are now contained in the general fiduciary powers herein authorized.

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

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Letter to the National Bank of Des Moines, Des Moines, Iowa, reading as follows:

The Board of Governors of the Federal Reserve System has given consideration to the application for permission to exercise fiduciary powers made on behalf of the proposed National Bank of Des Moines, Des Moines, Iowa, and grants such bank authority, effective if and when it is authorized by the Comptroller of the Currency to commence business, to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies, or other corporations which come into competition with national banks are permitted to act under the laws of the State of Iowa. The exercise of all such rights shall be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

After the National Bank of Des Moines has been authorized by the Comptroller of the Currency to commence business, its board of directors should adopt a resolution ratifying the application for permission to exercise fiduciary powers, and a certified copy of the resolution so adopted should be forwarded to the Federal Reserve Bank of Chicago for transmittal to the Board for its records. When a copy of such resolution has been received by the Board, a formal certificate covering the bank's authority to exercise trust powers will be forwarded.

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

Letter to Mr. Peterson, Vice President, Federal Reserve Bank of St. Louis, reading as follows:

Referring to your letter of May 4, 1955, it is noted the Tipton Farmers Bank, Tipton, Missouri, has received a revised estimate from the Bloomsdale Bank Building and Equipment Company, Inc., Bloomsdale, Missouri, under which its investment in new bank premises, including the cost of land, architectural fees and custom-made fixtures, will amount to \$90,100 rather than \$84,950, as anticipated at the time the Board of Governors approved an investment of not exceeding \$85,000 in new banking premises by that institution.

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In view of the circumstances recited in your letter, the Board concurs in your recommendation and approves the investment of not exceeding \$91,000 by the Tipton Farmers Bank in its proposed new banking premises, including the cost of land, architectural fees and custom-made fixtures. It is understood the proceeds derived from the sale of the present banking house, carried at \$1,600, and that portion of the recently purchased real estate, carried at \$15,000, which is not used by the bank will be applied to reduce the total carrying value of bank premises. This letter supersedes the Board's letter of February 8, 1955. Please advise the bank accordingly.

Approved unanimously.

At this point Mr. Young, Director, Division of Research and Statistics, entered the room.

Reference was made to a memorandum from Mr. Young dated May 13, 1955, copies of which had been sent to the members of the Board, recommending that Mr. Williams, Assistant Director, Division of Research and Statistics, be authorized to travel to Brazil to attend the Twenty-Ninth Session of the International Statistical Institute, the Third Inter-American Statistical Conference of the Inter-American Statistical Institute, and meetings of the Third General Assembly of the Inter-American Statistical Institute, to be held from June 9 through July 2, 1955, at Quitandinha, Petropolis, Brazil. The memorandum also recommended that while on this trip Mr. Williams be authorized to confer with appropriate officials of various central banks and other organizations in a number of South American countries, such as Brazil, Peru, Argentina, Colombia, Venezuela, and Chile, to familiarize himself with work in the field of statistical and economic reporting and analysis being carried on at those institutions.

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The entire schedule would involve Mr. Williams' absence from the Board for approximately seven weeks, probably from about June 2 to July 22, 1955.

In connection with the trip, it was further recommended that Mr. Williams be granted:

- (1) While absent from Washington upon the discharge of the above described duty, his actual necessary transportation expenses, including the cost of necessary trips between Quitandinha, Petropolis, and Rio de Janeiro, plus a per diem in lieu of subsistence at the rates prevailing in the locality in which travel is performed, as stated in the Standardized Government Travel Regulations, except while on board ship, when actual traveling expenses would be allowed.
- (2) A representational allowance not to exceed \$500, with the understanding that any voucher concerning the trip would be accompanied by satisfactory evidence or explanations (not necessarily receipts) regarding expenditures chargeable to this allowance.
- (3) Authorization to travel one way by ship and one way by air, if such travel should be preferred, rather than round trip by ship or by air.
- (4) An advance of funds for traveling expenses in the amount of \$1,000, which would be applied for, and secured, in the usual manner.

Following a discussion, the recommendations contained in Mr. Young's memorandum were approved unanimously, together with the following letter for the signature of Chairman Martin to the Honorable John Foster Dulles, Secretary of State, Washington, D. C.:

Regarding United States Government participation in the Twenty-Ninth Session of the International Statistical Institute and the Third Inter-American Statistical Conference of the Inter-American Statistical Institute to be held in Rio de Janeiro,



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Brazil, from June 22 to July 2, 1955, for the former and from June 9 to 22, 1955, for the latter, we are advised informally that it is likely that the United States will send an official delegation to the sessions.

We feel that it would be desirable, in the light of the agenda, that a member of the Board's staff familiar with problems related to the improvement of national statistics--including statistics of national income--the industrial utilization of statistics, and the statistical basis of economic forecasting should be included in the delegation. For this purpose we recommend Mr. Kenneth B. Williams, Assistant Director in charge of the Business Developments Group of the Board's Division of Research and Statistics. Mr. Williams' participation would be at no expense to the Department of State.

The Board would appreciate being advised at the earliest possible moment whether or not Mr. Williams is selected to be a member of the delegation to represent the United States at the forthcoming sessions.

At the meeting on April 5, 1955, approval was given to a program under which certain staff papers dealing with the effects of credit and monetary policies during the period from mid-1952 through 1954 would be submitted to a selected group of university professors for review and comment, with the understanding that the members of the review panel later would be invited to come to Washington for a discussion of the material contained in the staff papers. This action was taken with the understanding that Governor Mills would direct the arrangements for the program.

At the request of Governor Mills, Mr. Young made a statement in which he said that the comments regarding the staff papers were now being received, that it appeared preferable upon further consideration to have all of the members of the review panel come to Washington at the same time, that various dates had been considered, and that it seemed most

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satisfactory to have the meeting on Monday, June 13, and the morning of Tuesday, June 14, 1955.

Governor Mills added that this raised the question of what, if any, arrangements should be made as to entertainment for the members of the review panel.

Following a discussion of the matter, it was agreed that the meeting should be fixed for June 13 and 14, as suggested by Mr. Young; that a luncheon should be given for the members of the review panel in the Board's dining rooms on June 13; and that appropriate arrangements should be made for a reception in honor of the panel members at the Federal Reserve Building on the afternoon of June 13.

At the request of Governor Mills, Mr. Young also commented on the work being done in fulfillment of the request of the Congressional Subcommittee on Economic Statistics (the Talle Subcommittee), stating that all of the groups of consultants apparently would have their reports ready by June 30, 1955, the date which had been set as a target for completion of the reports. He suggested that it would be appropriate to invite the chairmen of the respective groups to come to Washington to discuss their reports with the Board and its staff some day toward the end of June. The program would contemplate presentation of the reports at a meeting of the Board in the morning, followed by a discussion in the afternoon in which appropriate members of the staff and those members of the Board who desired to do so would participate. Mr. Young suggested

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that such a program be arranged on June 28, 29, or 30.

It was agreed that a program of the kind proposed by Mr. Young should be arranged on one of the dates which he had mentioned.

Mr. Johnson then withdrew from the meeting and Messrs. Riefler, Assistant to the Chairman; Thomas, Economic Adviser to the Board; Vest, General Counsel; Sloan, Director, and Masters, Assistant Director, Division of Examinations; Horbett, Assistant Director, Division of Bank Operations; Hackley, Assistant General Counsel; and Shay, Assistant Counsel, entered the room.

In accordance with the understanding at the meeting on May 16, 1955, there had been prepared two drafts of a reply which might be sent to the Chairman of the House Committee on the Judiciary regarding Bill H. R. 5948, having to do with the regulation of bank mergers and consolidations. One of the drafts constituted a revision of the draft considered at the meeting on May 16 to incorporate certain changes which were suggested and a few additional changes in language. The other draft was based on the form of reply proposed by Governor Mills at the meeting on May 16. Copies of the two drafts had been sent to the members of the Board with a memorandum from Mr. Vest dated May 17, 1955.

There was a full discussion of the drafts and other alternatives which might be followed in responding to the request of the House Committee. Some concern was expressed regarding the difficulty in defining the criteria to be used and the amount of specialized work that would be involved

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in a procedure under which the Federal bank supervisory agencies would give approval to proposed bank mergers and consolidations. On the other hand, the alternative whereby such approval would be given by the Department of Justice raised a question from the standpoint that the Department would be more likely to concern itself with the legal and competitive aspects of such proposed transactions than with their effect from the point of view of the banking structure and sound banking practices. Similarly, another alternative, under which the bank supervisory agencies would request the views of the Department of Justice in those cases which they felt raised some question from the standpoint of antitrust aspects, presented such problems as the feasibility of reserving to the Department of Justice the right to take action after the merger or consolidation had been effected. In the course of the discussion, it was noted that under the Clayton Act certain designated Government agencies are now authorized to approve proposed transactions in specialized fields and that their decisions cannot later be questioned under the provisions of the Act. Some feeling was expressed, however, that a similar proposal in the case of bank mergers and consolidations might diminish the chances for enactment of legislation.

No conclusions were reached as the result of the discussion, although certain suggestions were made for combining portions of the two drafts of report which were submitted prior to this meeting.

In the circumstances, it was understood that a revised draft incorporating

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these suggestions would be prepared, and that the staff would consider arguments for and against suggesting an extension to the field of bank mergers and consolidations of the provisions of the Clayton Act, referred to above, which give designated agencies authority to approve certain transactions without right of review.

All of the members of the staff withdrew from the meeting at this point except Messrs. Carpenter, Thurston, Vest, Sloan, and Masters.

Governor Robertson referred to a memorandum prepared in the Division of Examinations under date of May 16, 1955, relating to the application of Riggs National Bank of Washington, D. C., for permission to exercise the ninth or general trust power contained in section 11(k) of the Federal Reserve Act. Governor Robertson outlined the background of the application and the problem involved in view of a 1919 ruling that the Board could not grant the ninth or general trust power to national banks in the District of Columbia. There was a preliminary discussion of the matter in the light of the factors which would appear to make a reversal of the 1919 ruling desirable and it was understood that the file would be circulated among the members of the Board for consideration at a later meeting.

Messrs. Vest, Sloan, and Masters then withdrew from the meeting.

Reference was made to a memorandum dated May 13, 1955, from Mr. Fauver, Special Assistant to the Board, with respect to the appointment of a Class C director at the Federal Reserve Bank of San Francisco, a memorandum dated May 17 from Mr. Thurston relating to the appointment of

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a director at the Little Rock Branch of the Federal Reserve Bank of St. Louis, and a letter to Governor Robertson from Chairman Hall of the Federal Reserve Bank of Kansas City under date of May 16, 1955, relating to the appointment of a director at the Denver Branch.

The names suggested in these documents were reviewed and it was agreed unanimously that the respective Chairmen of the Federal Reserve Banks concerned should be asked to ascertain whether the following individuals would accept, if tendered, the appointments indicated below, and, if they would accept, that the appointments would be made by the Board:

<u>Name</u>	<u>Business connection</u>	<u>Proposed appointment</u>
Philip I. Welk	President, Preston-Shaffer Milling Company, Walla Walla, Washington	Class C Director of the Federal Reserve Bank of San Francisco for the unexpired portion of the term ending December 31, 1957.
Houston Burford	General Manager, Southwest Hotels, Little Rock, Arkansas	Director of the Little Rock Branch for the unexpired portion of the term ending December 31, 1956.
Ray Reynolds	Cattle feeder and farmer, Longmont, Colorado	Director of the Denver Branch for the unexpired portion of the term ending December 31, 1956.

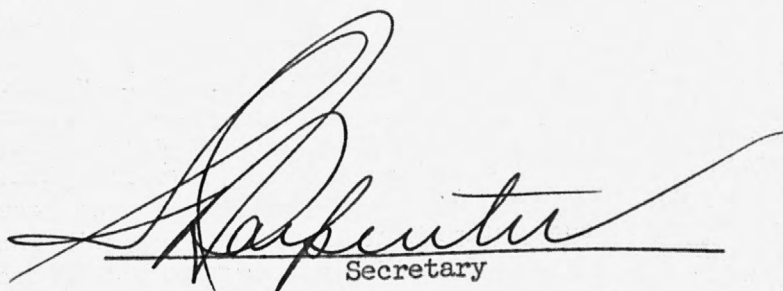
Minutes of actions taken by the Board of Governors of the Federal Reserve System on May 16, 1955, were approved unanimously.

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Minutes of the meeting of the Board of Governors of the Federal Reserve System with the Federal Advisory Council on May 17, 1955, were approved unanimously.

The meeting then adjourned.



Secretary