

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, June 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. Robertson
 Mr. Shepardson

Mr. Carpenter, Secretary
 Mr. Sherman, Assistant Secretary
 Mr. Kenyon, Assistant Secretary
 Mr. Vest, General Counsel
 Mr. Johnson, Controller, and Director,
 Division of Personnel Administration
 Mr. Solomon, Assistant General Counsel
 Mr. Sprecher, Assistant Director, Division
 of Personnel Administration

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 May 19, 1955, from Mr. Bethea, Director, Division of Administrative Services, recommending the appointment of LaRue S. Stahler as Operator (Key Punch) in that Division, with basic salary at the rate of \$2,950 per annum, effective as of the date on which she enters upon the performance of her duties.

Approved unanimously.

Memorandum dated May 19, 1955, from Mr. Bethea, Director, Division of Administrative Services, recommending that Rebie A. Windsor be transferred from the position of Elevator Operator (temporary appointment) to the position of Chauffeur in that Division, on a regular basis, with an increase in his basic salary from \$2,560 to \$2,750 per annum, effective as of the date on which he assumes his new duties.

Approved unanimously.

6/3/55

-2-

Memorandum dated May 25, 1955, from Mr. Bethea, Director, Division of Administrative Services, reporting approval of the application of William Gardner, Chauffeur in that Division, for retirement under the Board Plan of the Retirement System of the Federal Reserve Banks, effective June 1, 1955.

Noted.

Letter to the Board of Directors, City Bank and Trust Company of Reading, Reading, Pennsylvania, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of Philadelphia, the Board of Governors hereby gives its written consent under the provisions of Section 18(c) of the Federal Deposit Insurance Act to the merger of First National Bank in Birdsboro, Birdsboro, Pennsylvania, with and into City Bank and Trust Company of Reading, Reading, Pennsylvania, and approves the establishment by the latter bank of a branch at the present location of the banking office of the First National Bank in Birdsboro, provided the merger is carried out substantially in accordance with the Joint Plan of Merger dated April 28, 1955, and that the merger, as well as the establishment of the branch, is effected within six months from the date of this letter.

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

At this point Mr. Sprecher withdrew from the meeting.

Reference was made to the following draft of letter to Mr. Roger W. Jones, Assistant Director, Legislative Reference, Bureau of the Budget, Washington, D. C., which had been circulated to the members of the Board prior to this meeting:

This refers to your letter of May 23, 1955 requesting comments on a draft bill "To authorize the President to establish maximum amounts and maturities with respect to loans assisted by the Federal Housing Administration and residential loans assisted by the Veterans Administration."

As the title indicates, the draft bill would authorize the President to establish maximum amounts and maturities, in no event exceeding the maximums stated in present law,

6/3/55

-3-

for residential loans assisted by the Federal Housing Administration or the Veterans Administration.

In view of the serious unstabilizing effects on the credit structure and throughout the economy that can result from excessive or untimely Governmental activity in guaranteeing or insuring real estate credits, the Board believes it is highly desirable that continuing attention be given to the problem and that prompt action to prevent such excessive or untimely activity be taken whenever necessary. It is understood that certain authority already exists for varying the terms on which the Federal Housing Administration and Veterans Administration insure or guarantee loans. However, the Board believes enactment of legislation along the general lines of the draft bill would be in the public interest as a means of clarifying and emphasizing the authority for dealing with the problem.

During a discussion of the matter, Governor Vardaman raised for consideration the question whether it was desirable to transfer to the President authority to intervene, by fixing terms or otherwise, in operations normally within the jurisdiction of specified Government agencies.

Mr. Vest brought out that, as a practical matter, the President as chief executive probably has a certain amount of authority to cause the Federal Housing Administration and the Veterans Administration to adjust the terms on loans assisted by them, as indicated by the tightening of terms on such loans which was carried into effect when requested by the President at the outbreak of the Korean conflict in 1950. He also said that while the two agencies themselves would appear to have certain authority to adjust maximum amounts and maturities with respect to loans assisted by them, there might be a question, in the absence of express legislation, as to the extent to which such authority should be exercised by the agencies.

6/3/55

-4-

In the circumstances, it was his feeling that to establish authority with respect to maximum amounts and maturities more specifically in the President might accomplish action to avoid unstabilizing effects on the economy which would not otherwise be taken.

In a further discussion, Chairman Martin said it was for such reasons as those outlined by Mr. Vest that he would be inclined to approve the proposed letter to the Bureau of the Budget, it being his understanding that the responsibility was not clearly defined at present and that all of the parties concerned would welcome the fixing of authority.

Chairman Martin also stated that just before this meeting a letter had been received from the Acting Director of the Bureau of the Budget requesting an expression of views with respect to a proposed reorganization plan apparently intended to accomplish substantially the same purposes as the draft bill.

At the conclusion of the discussion, unanimous approval was given to a letter to Mr. Jones in the form set forth above and the staff was requested to draft a reply concerning the proposed reorganization plan for consideration at a meeting of the Board next week, the draft to take the same general position as that taken in the letter to Mr. Jones.

There had been sent to the members of the Board copies of a letter addressed to Chairman Martin under date of May 27, 1955, by Mr. Charles F. Urschel, Jr., Regional Director for Europe, Foreign Operations Administration,

6/3/55

-5-

Washington, D. C., stating that the Council of Ministers for the Organization of European Economic Cooperation was to hold its next meeting in Paris, France, on June 9 and 10, 1955, and suggesting that Mr. Marget, Director of the Division of International Finance, participate in the meeting if his schedule could be adjusted so as to permit attendance at some or at all of the sessions. Also sent to the members of the Board were copies of a draft of reply to Mr. Urschel reading as follows:

This is in reply to your letter of May 27 to Chairman Martin, suggesting that Mr. Arthur W. Marget, Director of the Board's Division of International Finance, who is now in Europe, be authorized to be in Paris on June 9 and 10 to accompany the U. S. Delegation to the meeting of the Council of Ministers of the Organization of European Economic Cooperation.

The Board will be pleased to have Mr. Marget attend this meeting, if it is convenient for him to do so, and a cable to this effect is being sent to him in Vienna. He is also being asked to notify Mr. Warren Shearer of the U. S. Regional Organizations' staff, Paris, as to whether or not he will go to Paris for this meeting.

The proposed reply was approved unanimously, together with a telegram to Mr. Marget, c/o Hotel Sacher, Vienna, Austria, reading as follows:

FOA has suggested to Board that you accompany U. S. Delegation at OEEC Ministerial meeting, Chateau La Murette, Paris, June 9 and 10, if convenient for you. USDEL arriving Paris on June 9. Board authorizes you attend if convenient. Board will reimburse transportation costs and subsistence for proceeding to Basle via Paris instead of directly. Please notify Warren Shearer, USRO, Paris, whether you will attend.

Mr. Johnson then withdrew from the meeting.

6/3/55

-6-

There were presented telegrams to the Federal Reserve Banks of New York, Philadelphia, Chicago, and San Francisco approving the establishment without change by the Federal Reserve Bank of San Francisco on June 1 and by the Federal Reserve Banks of New York, Philadelphia, and Chicago on June 2, 1955, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Reference was made to a letter dated May 24, 1955, from Mr. John J. McCloy, Chairman of the Board of Directors of The Chase Manhattan Bank, New York, New York, referring to the Board's letter dated April 21, 1955, in which it approved the Articles of Association and Organization Certificate of the American Overseas Finance Corporation; stating that it was now felt that it would be unnecessary for the Corporation, in the initial period of its operation, to have any capital stock other than that represented by the common stock; referring to the fact that the Edge Act does not permit the existence of authorized but unissued stock; and enclosing executed copies of amended Articles of Association and an amended Organization Certificate. Copies of Mr. McCloy's letter had been sent to the members of the Board along with a memorandum from Mr. Solomon dated June 1, 1955, which stated that the proposed documents would not present any question that had not been passed upon by the Board in approving the previous versions. The memorandum recommended that the Board approve the new Articles of Association and Organization Certificate and that a letter to

6/3/55

-7-

Mr. McCloy, reading as follows, be approved by the Board for transmittal through the Federal Reserve Bank of New York:

The Board of Governors has approved the Articles of Association and Organization Certificate, both dated May 24, 1955, of American Overseas Finance Corporation, and there is enclosed herewith a preliminary permit authorizing that Corporation to exercise such of the powers conferred by section 25(a) of the Federal Reserve Act as are incidental and preliminary to its organization. As you are aware, the Corporation may not exercise any of the other powers conferred by section 25(a) until it has received a final permit from the Board authorizing it generally to commence business. The steps which must be taken prior to issuance of a final permit are enumerated in section V of the Board's Regulation K.

The present Articles of Association and Organization Certificate have been approved in lieu of the Articles of Association and Organization Certificate which were approved on April 21, 1955, and the earlier Articles of Association and Organization Certificate will be deemed to be withdrawn as requested in your letter of May 24, 1955. As indicated in the Board's letter of April 21, 1955 advising you of the approval of the earlier documents, operations of an Edge Act corporation are subject to certain restrictions under the statute and Regulation K, and any Articles of Association or Organization Certificate can in no way alter the obligation of an Edge Act corporation to conduct its operations, both in the United States and abroad, in conformity with the requirements and limitations prescribed by the statute and Regulation K.

Following a discussion, the letter was approved unanimously in the form submitted.

Mr. Carpenter referred to the understanding at the meeting yesterday that representatives of the Quincy Trust Company, Quincy, Massachusetts, would be given an opportunity to present reasons justifying the establishment of a branch in South Weymouth, Massachusetts, before the Board acted on the matter. He said that it had been ascertained from Mr. F. Gloyd Awalt,

6/3/55

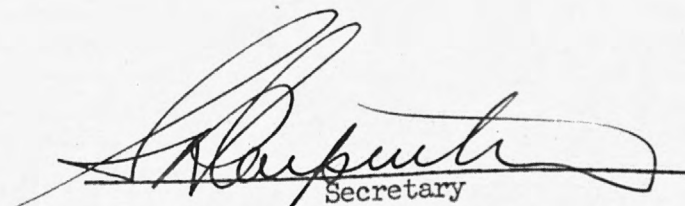
-8-

a Washington attorney representing the trust company, that the president of the institution was now hospitalized but that he would be able to appear later in the month of June.

In the circumstances, it was agreed that an invitation should be extended to Mr. Awalt to have representatives of Quincy Trust Company meet with members of the Board at 2:30 p.m. on June 23, 1955.

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

The meeting then adjourned.



Secretary