Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, August 24, 1955. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Szymczak
Mr. Vardaman
Mr. Mills
Mr. Shepardson

Mr. Carpenter, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Thurston, Assistant to the Board
Mr. Leonard, Director, Division of Bank Operations
Mr. Vest, General Counsel
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:

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

Salary increases, effective August 28, 1955

<table>
<thead>
<tr>
<th>Name and title</th>
<th>Division</th>
<th>Basic annual salary</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>From</td>
</tr>
<tr>
<td>Valeria J. Humburg, Records Clerk</td>
<td>Office of the Secretary</td>
<td>$3,175</td>
</tr>
<tr>
<td>Margaret J. Molster, Review Classifier</td>
<td></td>
<td>3,925</td>
</tr>
<tr>
<td>Sudelle Rice, Records Clerk</td>
<td></td>
<td>3,430</td>
</tr>
<tr>
<td>Janice L. Slight, Records Clerk</td>
<td></td>
<td>3,175</td>
</tr>
<tr>
<td>Martha Lou Ware, Index Clerk</td>
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<td>3,500</td>
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Salary increases, effective August 28, 1955 (continued)

<table>
<thead>
<tr>
<th>Name and title</th>
<th>Division</th>
<th>Basic annual salary</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>From</td>
</tr>
<tr>
<td>Charlotte Breckenridge, Clerk</td>
<td>Research and Statistics</td>
<td>$3,670</td>
</tr>
<tr>
<td>Caroline H. Cagle, Economist</td>
<td></td>
<td>7,250</td>
</tr>
<tr>
<td>Virginia Johns, Clerk-Stenographer</td>
<td></td>
<td>3,670</td>
</tr>
<tr>
<td>Robert Moss, Economist</td>
<td></td>
<td>6,820</td>
</tr>
<tr>
<td>Elinor R. Harris, Economist</td>
<td>International Finance</td>
<td>6,820</td>
</tr>
<tr>
<td>Frank M. Tamagna, Chief, Financial Operations and Policy Section</td>
<td></td>
<td>12,420</td>
</tr>
<tr>
<td>Wendell E. Thorne, Assistant to the Director</td>
<td></td>
<td>11,180</td>
</tr>
<tr>
<td>Mabel E. Wike, Statistical Clerk</td>
<td>Bank Operations</td>
<td>3,515</td>
</tr>
<tr>
<td>Att W. Hammons, Jr., Assistant Federal Reserve Examiner</td>
<td>Examinations</td>
<td>4,525</td>
</tr>
<tr>
<td>Malcolm F. Johnson, Assistant Federal Reserve Examiner</td>
<td></td>
<td>5,980</td>
</tr>
<tr>
<td>Warren J. McClelland, Supervisory Review Examiner</td>
<td></td>
<td>10,320</td>
</tr>
<tr>
<td>Lyle B. St. John, Assistant Federal Reserve Examiner</td>
<td></td>
<td>5,575</td>
</tr>
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</table>
Salary increases, effective August 28, 1955 (continued)

<table>
<thead>
<tr>
<th>Name and title</th>
<th>Division</th>
<th>Basic annual salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carl A. Smith, Assistant Federal Reserve Examiner</td>
<td>Examinations</td>
<td>$5,845 to $5,980</td>
</tr>
<tr>
<td>Hanvey Stanford, Assistant Federal Reserve Examiner</td>
<td></td>
<td>$5,980 to $6,115</td>
</tr>
<tr>
<td>Rodney H. Van Devanter, Administrative Assistant</td>
<td>Personnel Administration</td>
<td>$6,820 to $7,035</td>
</tr>
<tr>
<td>Ruth Goodyear, Secretary</td>
<td>Office of the Controller</td>
<td>$4,620 to $4,755</td>
</tr>
<tr>
<td>Joseph H. Hoyle, Payroll Clerk</td>
<td></td>
<td>$4,485 to $4,620</td>
</tr>
<tr>
<td>Helen M. Capozio, Utility Clerk</td>
<td>Administrative Services</td>
<td>$4,075 to $4,210</td>
</tr>
<tr>
<td>Beverly A. Carter, Senior Mail Clerk</td>
<td></td>
<td>$4,075 to $4,210</td>
</tr>
<tr>
<td>Claiborne Johnson, Operator (Offset Press)</td>
<td></td>
<td>$4,097 to $4,306</td>
</tr>
<tr>
<td>Ralph A. Sherrod, Photographer (Offset)</td>
<td></td>
<td>$3,430 to $3,515</td>
</tr>
<tr>
<td>David W. Southard, Chauffeur</td>
<td></td>
<td>$3,040 to $3,125</td>
</tr>
<tr>
<td>David Sullivan, Guard</td>
<td></td>
<td>$3,640 to $3,725</td>
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</table>

Transfer

Anna S. Courtney, from the position of Stenographer in the Division of Administrative Services to the position of Secretary in the Division of Examinations, with an increase in her basic salary from $3,925 to $4,075 per annum, effective as of the date on which she assumes her new duties.
Additional leave of absence without pay

Shirley S. Corbin, Elevator Operator, Division of Administrative Services, for the period September 1 through October 31, 1955, or until such earlier date as she may be permitted to resume her duties.

Acceptance of resignation

Elinore G. Magee, Clerk, Division of Research and Statistics, effective August 26, 1955.

Approved unanimously.

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

Reference is made to your letter of July 29, 1955, submitting the request of the Depositors Trust Company, Augusta, Maine, for reconsideration of the requirement of the Board of Governors embodied in its approval of the absorption of the Lewiston Trust Company, Lewiston, Maine, that the banking houses and furniture and fixtures acquired in the absorption be placed on the books of the Depositors Trust Company at an amount not in excess of the depreciated value computed for Federal income tax purposes for the Lewiston Trust Company.

As counsel for the Depositors Trust Company points out in his letter of July 19, 1955, acquisition of the assets of the Lewiston Trust Company through the purchase of the outstanding stock of the latter institution was in substance a purchase and a sale of the assets.

In transactions involving absorptions of one bank by another through purchase of assets and assumption of deposit liabilities, it is customary for the Board to require that fixed assets so acquired be placed upon the books of the purchasing bank at a figure not in excess of the depreciated value as computed for Federal income tax purposes. The selling bank, as a going concern, would not be permitted to write up the value of these assets beyond such depreciated value. In the present case it is possible that the fixed assets purchased have a market or utility value to the purchasing bank greater than the depreciated value at which they were carried by the selling bank. However, the Board does not believe it is sound policy to permit a bank acquiring assets from another bank to place
the acquired assets on its books at a higher figure than the selling bank would be permitted to carry them and thus to capitalize the full or premium value of fixed assets.

Therefore, the Board is of the opinion that it should make no changes in its previously expressed requirements.

Approved unanimously.

Letter to the Board of Directors, Bank of Westbury Trust Company, Westbury, 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 Bank of Westbury Trust Company, Westbury, New York, on the southeast corner of Old Country Road and Linden Avenue, in an unincorporated area of the Town of Hempstead, New York, provided the branch is established within one year from the date of this letter.

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

Letter to the Board of Directors, The Union Bank of Commerce Company, Cleveland, 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 hereby gives its consent under the provisions of Section 18(c) of the Federal Deposit Insurance Act to the merger (called "consolidation" in the Ohio statutes) of The Commercial & Savings Bank of Berea, Berea, Ohio, with The Union Bank of Commerce Company, Cleveland, Ohio, and approves the establishment by the continuing bank of branches at the present locations of the main office of The Commercial & Savings Bank of Berea (40 Front Street, Berea, Ohio) and its branch in Strongsville, Ohio, provided (a) the merger is carried out substantially in accordance with the agreement between the parties dated July 25, 1955, (b) formal approval of the State authorities is obtained, and (c) the merger and establishment of the branches are effected within six months from the date of this letter.

It is understood that the banking premises to be acquired from The Commercial & Savings Bank of Berea are to be disposed of and not placed upon the books of The Union Bank of Commerce Company.
Approved unanimously, for transmittal through the Federal Reserve Bank of Cleveland.

Letter to the Board of Directors, The Louisville Trust Company, Louisville, Kentucky, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of St. Louis, the Board of Governors of the Federal Reserve System approves the establishment of a branch by The Louisville Trust Company, Louisville, Kentucky, at 2450 Bardstown Road, Louisville, Kentucky, provided the branch is established within nine months from the date of this letter and the approval given by the Department of Banking of the State of Kentucky with respect to such branch is effective at the time it is established.

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

Letter to Mr. Diercks, Vice President, Federal Reserve Bank of Chicago, reading as follows:

This will acknowledge your letter of July 27, 1955, regarding the conference with representatives of The First Commercial Bank, Chicago, Illinois. We note that a moderate but apparently progressive improvement in the bank's capital position has taken place, and we would attribute the more conservative policies now in effect in the member bank to the supervisory actions taken.

It would be our suggestion that another examination of the bank take place sometime in the early fall of 1955 when the bank's capital position and its general condition may again be considered. We would appreciate being informed of your reaction to this suggestion.

Approved unanimously.

Letter to The Live Stock National Bank of Omaha (in liquidation), Omaha, Nebraska, reading as follows:

This refers to the resolution adopted on August 18, 1954, by the board of directors of The Live Stock National Bank of Omaha, signifying its desire to surrender the authority to exercise fiduciary powers heretofore granted by the Board of Governors of the Federal Reserve System.
The Board, having been satisfied that your bank has been discharged or otherwise properly relieved in accordance with the law of all of its duties as fiduciary, has issued a formal certificate to the effect that The Live Stock National Bank of Omaha is no longer authorized to exercise any of the fiduciary powers covered by the provisions of section 11(k) of the Federal Reserve Act, as amended. This certificate is enclosed herewith.

In this connection, your attention is called to the fact that, under the provisions of section 11(k) of the Federal Reserve Act, as amended, when such a certificate has been issued by the Board of Governors of the Federal Reserve System to a national bank, such bank (1) shall no longer be subject to the provisions of section 11(k) or the regulations of the Board of Governors of the Federal Reserve System made pursuant thereto and (2) shall be entitled to have returned to it any securities which it may have deposited with the State authorities for the protection of private or court trusts.

Since it is necessary for you to file a copy of the Board's certificate with the State authorities in connection with the release of the securities which you have deposited with them, a duplicate original of the certificate is also enclosed.

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

Letter to the Board of Directors, Wells Fargo Bank, San Francisco, California, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of San Francisco, the Board of Governors hereby gives its written consent, under the provisions of Section 18(c) of the Federal Deposit Insurance Act, to a merger of the Wells Fargo Bank and The First National Bank of San Mateo County at Redwood City, Redwood City, California, and approves the establishment of branches by the Wells Fargo Bank at the following locations:

Main and Broadway Streets, Redwood City, California,
1026 6th Avenue, Belmont, California,
1501 Woodside Road, San Mateo County, California,
718 Santa Cruz Avenue, Menlo Park, California, and
1935 University Avenue, East Palo Alto, California,
provided the proposed merger is carried out substantially in accordance with the terms of the agreement of merger dated July 20, 1955, and the merger and establishment of the branches are effected within six months from the date of this letter.

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

Letter to the Board of Directors, Nevada Bank of Commerce, Reno, Nevada, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of San Francisco, 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 the Nevada Bank of Commerce, Reno, Nevada, and The Ely National Bank, Ely, Nevada, and approves the establishment by the Nevada Bank of Commerce of branches in Ely, Nevada, and McGill, Nevada, provided the merger is carried out substantially in accordance with the merger agreement submitted and the merger and establishment of branches are effected within six months from the date of this letter.

Approved unanimously, for transmittal through the Federal Reserve Bank of San Francisco, with a letter to Mr. Millard, Vice President of the Reserve Bank, containing the following paragraph:

In connection with this proposed transaction, it is noted that the Nevada Bank of Commerce plans to amend its articles of incorporation so as to authorize the bank to "conduct and carry on a mortgage-loan business." Please advise the member bank that if this results in any change in the general character of its business or the scope of the corporate powers exercised by it at the time of admission to membership, the permission of the Board of Governors will be required under a condition of membership to which the bank is subject.
Letter to the Presidents of all Federal Reserve Banks reading as follows:

The Board's letter (S-1543) of July 28, 1954, requested that there be submitted, until further notice, quarterly reports of estimated savings resulting from the elimination of the prohibition against paying out Federal Reserve notes of other Banks.

It was originally predicted, when the proposed legislation was being considered by Congressional committees, that the savings for the System as a whole under the new procedure would be in excess of $750,000 per year. The special reports subsequently submitted to the Board show that for the period July 19 - December 31, 1954, the estimated savings at the various Banks and branches totaled about $450,000. For the period of approximately 12 months which ended June 30, 1955, the System savings were estimated at about $980,000. This latter figure, however, may be somewhat inflated because of the recirculation of "foreign" Federal Reserve notes in the various Districts, particularly during the two most recent quarters.

Despite some possible inaccuracies in the estimates due to the problem of recirculating notes, it would appear that the savings have undoubtedly been substantial enough to confirm the original prediction. Accordingly, the special quarterly reports in this connection may now be discontinued.

Approved unanimously.

There were presented telegrams to the Federal Reserve Banks listed below approving the establishment without change on the dates indicated of the rates of discount and purchase in their existing schedules:

<table>
<thead>
<tr>
<th>Location</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boston</td>
<td>August 15</td>
</tr>
<tr>
<td>San Francisco</td>
<td>August 17</td>
</tr>
<tr>
<td>New York</td>
<td>August 18</td>
</tr>
<tr>
<td>Philadelphia</td>
<td>August 18</td>
</tr>
<tr>
<td>Kansas City</td>
<td>August 18</td>
</tr>
<tr>
<td>St. Louis</td>
<td>August 19</td>
</tr>
</tbody>
</table>

Approved unanimously.
Files had been circulated to the members of the Board concerning
(a) a request from the Federal Reserve Bank of New York for authority
to enter into a contract for vault doors and lowering platforms for the
new Buffalo Branch building, and (b) a proposal of the Federal Reserve
Bank of Richmond to undertake a program for improving the lighting and
the air conditioning system on the first floor of the original head office
building.

Following comments by Mr.
Leonard, unanimous approval was
given to the following telegram
and letter:

Telegram to Mr. Treiber, First Vice President, Federal Reserve Bank of New
York

Board approves acceptance of proposal for vault doors
and lowering platforms, as outlined in your letter of
August 12, 1955, and approved by the directors of the Branch
and of the Bank.

Letter to Mr. Leach, President, Federal Reserve Bank of Richmond

The Board interposes no objection to the program for
improving the lighting and air-conditioning system on the
first floor of the original head office building, at a
cost of approximately $85,000, as outlined in your letter
of August 11, 1955. It is understood that the program has
been approved by the Directors.

At this point Mr. Masters, Assistant Director, Division of Examina-
tions, entered the room.

In a letter dated June 24, 1955, Senator Scott of North Carolina
asked the Board for a "ruling" on whether member banks of the Federal Re-
serve System could purchase stock in, or become members of, a proposed North
Carolina Business Development Corporation. Subsequently, there had been
circulated to the members of the Board: (a) a draft of reply to Senator Scott which would state that while System member banks could not legally purchase stock in the proposed corporation, there was no provision of Federal law that would prevent such a bank from becoming a "member" of the corporation, (b) a memorandum dated August 2, 1955, from Mr. Hackley discussing the requirements incident to membership in the corporation, the legal and policy questions involved, and the views of the Comptroller of the Currency with respect to membership of national banks, and (c) a supplemental memorandum from Mr. Hackley, dated August 16, 1955, which was prepared in the light of questions raised by Governor Vardaman when the file was in circulation concerning the obligation of members of the corporation to make loans to it not in excess of certain limitations. The supplemental memorandum reviewed these questions on the basis of discussions with the Office of the Comptroller of the Currency and the staff of the Federal Reserve Bank of New York.

Mr. Hackley's memoranda brought out that the proposed North Carolina corporation would be very similar to business development corporations organized in New England as early as 1949, that both national and State member banks in the New England states are members of those corporations, that the New York State Banking Board had ruled that State banks might become members of a development corporation being organized in that State, that the Comptroller of the Currency had taken the position that national banks might become members of that corporation and similar development corporations, and that the legal staff of the New York Reserve Bank concurred in
the view that there was no legal ground on which it could be said that State member banks would be prevented from becoming members of the proposed New York corporation.

Following a statement by Mr. Hackley concerning the nature of the development corporations, the legal aspects involved in membership in them, and the inquiries that he had made of the Comptroller’s Office and the Federal Reserve Banks of New York and Boston, Governor Vardaman stated his understanding of the activities engaged in by the development corporations and said that while he felt that commercial banks should participate within reasonable limits in the affairs of such corporations, it was his opinion that the Board should not go along willingly with a situation in which State member banks, by becoming members of a development corporation, were required to commit themselves to make loans over a period of time. He went on to say that even though the banks might have certain voting rights by virtue of their membership, it appeared that they would not have any direct control over loans extended by the development corporation, so that in effect they would be delegating their lending authority up to a stated amount of their capital and surplus. The implications of such a stipulation, he felt, might not have been taken into account sufficiently by the Comptroller’s Office and the Federal Reserve Bank of Boston in connection with the development corporations established in New England. If the Board had no legal right to prevent State member banks from becoming members of the development corporations, he felt that the Board nevertheless should
advise State member banks that it had reservations on policy grounds.

Chairman Martin then suggested that the matter be considered further following the return of Governor Robertson, and this suggestion was approved unanimously.

Mr. Masters then withdrew from the meeting.

There had been circulated to the members of the Board drafts of letters to Chairman Dawson of the House Committee on Government Operations and to Chairman Celler of the House Committee on the Judiciary, both dealing with the use of consultants and employees hired without compensation or at a nominal compensation. There had also been sent to the members of the Board copies of a letter from Mr. Stanley N. Barnes, Assistant Attorney General, together with copies of a proposed reply which, pursuant to his request, would transmit copies of the letters sent to Messrs. Dawson and Celler.

In the course of circulation, certain minor changes in the letter to Congressman Celler and in the enclosures to the Dawson letter were made at the suggestion of members of the Board, and the three letters were now presented for consideration in the following form:

To The Honorable William L. Dawson, Chairman, Committee on Government Operations, U. S. House of Representatives, Washington, D. C.

This is in reply to your letter of July 19, 1955, relating to consultants, employees hired without compensation, and employees hired at a nominal compensation, e.g., $1 per year.

Attached is a list of all consultants engaged by this Board from January 1, 1953 to July 19, 1955, as requested by you. Of the consultants, thirty-two were engaged temporarily
on a part-time basis to assist in an assignment for the Sub-
committee on Economic Statistics of the Joint Committee on
the Economic Report of the United States Congress. It is
expected that this assignment will terminate shortly.

There were no employees hired without compensation or
at a nominal compensation, e.g., $1 per year, although five
of the persons engaged for the assignment on Economic Statis-
tics and two others elected to accept no compensation.

Appointments of consultants ordinarily are approved by
the Board to run to the end of the calendar year in which
they are made. For this reason, some appointments may cover
a substantial period, but the period of actual employment
may be very short. Part-time consultants continue in their
regular employment while serving the Board.

It should be mentioned that during 1955, the Board in-
vited an outstanding group of university professors of banking
and monetary theory (see attached list) to serve on a
panel to assess the Federal Reserve System's credit and moneta-
ry actions from mid-1952 through 1954. The panel was con-
ducted by correspondence and a lump sum of $100 was paid each
participant for the preparation of a memorandum on this sub-
ject.

The same group was then invited to attend a group dis-
While not appointed to the Board's rolls as consultants, the
members were paid a fee of $50.00 per day plus reimbursement
for transportation expenses and per diem expenses of $15.00.

To The Honorable Emanuel Celler, Chairman, Committee on the Judiciary, U. S.
House of Representatives, Washington, D. C.

This is in reply to your letter of July 12, 1955. The
answers given below are in sequence with your questions, as of
August 1, 1955.

1. and 2. In the regular operation of the Board's busi-
ness there are presently no without compensation personnel on
its rolls but there are two paid consultants. The consultants
are:

Ruth P. Mack, Economist, National Bureau
of Economic Research
C. David Persina, Retired, formerly Chief,
Design Section, General Services Administra-
tion

At the request of the Subcommittee on Economic Statistics
of the Joint Committee on the Economic Report of the United
States Congress, the Board temporarily engaged the services
of 32 persons on a part time basis to assist in an assignment
for that Committee. It is assumed that your questions are not
intended to relate to such persons, but their names and details
regarding them are shown on the attached list.

3. Authority for utilizing the services of WOC's and
other employees is found in section 11(1) and section 10, para-
graph 4, of the Federal Reserve Act. Section 710 of the De-
fense Production Act authorizes the utilization of services of
WOC's in connection with the V-loan program.

4. The Board has not promulgated rules or regulations re-
garding employment of WOC's or consultants; however, each in-
dividual engaged must be specifically approved by the Board and
at that time the terms of the engagement are set.

5., 6. and 7. Except as indicated above, the only indus-
trial advisory committee, council, conference, or task force,
etc., not composed of employees of the Federal Reserve System,
is the Federal Advisory Council. The Council was created in
1913 by section 12 of the original Federal Reserve Act, which
provides for the Council's membership, meetings and powers. A
list showing the current membership of the Council is attached.
The Board has not promulgated any rules or regulations relating
to the organization or operation of advisory groups.

If there is any further information we may be able to pro-
vide, we shall be happy to do so.

To Mr. Stanley N. Barnes, Assistant Attorney General, Antitrust Division,
Department of Justice, Washington, D. C.

This refers to your letter of August 17, 1955 regarding
the use of WOC consultants, and the requests received from
Chairman Celler of the Antimonopoly Sub-Committee of the House
Judiciary Committee and Chairman Dawson of the House Committee
on Government Operations for certain information on the subject.
The Board's replies to those requests were prepared before receipt of your letter, and copies are enclosed for your information. This matter may be discussed with Mr. E. J. Johnson, Director of the Board's Division of Personnel Administration.

The letters were approved unanimously for transmittal, in each case, over the signature of Chairman Martin.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on August 18 and 22, 1955, were approved unanimously.

The members of the staff then withdrew from the meeting and the Board went into executive session.

The Secretary later was informed by the Chairman that during the executive session the Board considered a memorandum dated August 9, 1955, from Mr. Hostrup, Assistant Director, Division of Examinations, recommending acceptance of the resignation of W. B. Lassen, Federal Reserve Examiner in that Division, effective as of the close of business on August 4, 1955; and that the Board accepted the resignation, with the understanding that the file on the matter would be brought to the attention of Governor Balderston upon his return.

The meeting then adjourned.