Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, August 25, 1955. The Board met in the Board Room at 9:30 a.m.

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

Mr. Carpenter, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Thurston, Assistant to the Board
Mr. Vest, General Counsel
Mr. Bethea, Director, Division of Administrative Services
Mr. Johnson, Controller, and Director, Division of Personnel Administration
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:

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

Appointment, effective upon the date of assuming duties

Name and title	Division	Basic annual salary
Barbara E. Brande, Clerk-Stenographer	Research and Statistics	$3,415

Salary increase, effective August 28, 1955

Name and title	Division	Basic annual salary From	To
Helen A. Bennett, Secretary	Bank Operations	$3,755	$3,940

Acceptance of resignations

Paul B. Simpson, Chief, Business Finance and Capital Markets Section, Division of Research and Statistics, effective August 24, 1955.

Paul S. Anderson, Economist, Division of Research and Statistics, effective August 27, 1955.

Lyla Jean McKaig, Clerk, Division of Research and Statistics, effective August 26, 1955.

Roland A. Coluzzi, Elevator Operator, Division of Administrative Services, effective September 8, 1955.

Approved unanimously.

Letter to Mr. Boyd, Chief Examiner, Federal Reserve Bank of Cleveland, reading as follows:

> In accordance with the request contained in your letter of August 16, 1955, the Board approves the appointment of Robert A. Onufer as an assistant examiner for the Federal Reserve Bank of Cleveland. Please advise as to the date upon which the appointment is made effective and as to salary rate.

Approved unanimously.

Letter to Riker, Emery & Danzig, Counselors at Law, 744 Broad Street, Newark, New Jersey, (Attention: Mr. Dickinson R. Debevoise), reading as follows:

> This refers to the request contained in your letter of July 13, 1955, addressed to the Federal Reserve Bank of New York, for a determination by the Board of Governors as to the status of The Mutual Benefit Life Insurance Company, Newark, New Jersey, as a holding company affiliate if the Company acquires the entire issue of new preferred stock of West Hudson National Bank of Harrison, Harrison, New Jersey.
>
> From the information supplied the Board understands that The Mutual Benefit Life Insurance Company is engaged in the business of issuing life insurance; that for investment purposes only, such Company owns shares of stock in a number of banks; that in no case do such shares of bank stock represent

more than two per cent of the total shares outstanding; that the Company's total investment in shares of bank stock is less than one per cent of its total assets; that such Company plans to purchase all of the 100,000 shares of preferred stock to be issued by West Hudson National Bank of Harrison; that such national bank will have outstanding 261,000 shares of common stock, none of which will be owned by the insurance company; that the holders of the shares of common stock of the national bank will have exclusive right to vote for directors of the bank unless a default occurs with respect to the preferred stock; that upon such default, holders of the preferred stock will acquire sufficient votes to elect a majority of the members of the board of directors of the national bank; and that The Mutual Benefit Life Insurance Company does not and will not, directly or indirectly, own or control a substantial portion of the stock of or manage or control, directly or indirectly, any banking institution other than West Hudson National Bank of Harrison.

It should be noted that The Mutual Benefit Life Insurance Company will not become a "holding company affiliate" under the law merely upon its acquisition of the preferred stock in question but would fall within the definition if at any time the number of shares owned by it should exceed 50 per cent of the number of shares voted at the preceding election of directors of the bank or if the Company should at any time control in any manner the election of a majority of the directors of the bank, including such control resulting from default with respect to the preferred stock.

However, in view of the facts presented, the Board has determined that The Mutual Benefit Life Insurance Company will not be engaged, directly or indirectly, as a business in holding the stock of or managing or controlling banks, banking associations, savings banks or trust companies within the meaning of section 2(c) of the Banking Act of 1933, as amended; and, accordingly, in the event of the happening of any of the contingencies referred to in the preceding paragraph, The Mutual Benefit Life Insurance Company will not be deemed to be a holding company affiliate for any purposes other than those of section 23A of the Federal Reserve Act, and will not need a voting permit from the Board of Governors in order to vote the preferred stock should a default occur.

If, however, the facts should at any time differ from those set out above to an extent which would indicate that The Mutual Benefit Life Insurance Company might be deemed to be so engaged this matter should again be submitted to the Board. The Board reserves the right to rescind this determination and make a further determination of this matter at any time on the basis of the then existing facts.

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

Letter to the Board of Directors, Citizens State Bank of Park Ridge, Park Ridge, Illinois, approving, subject to conditions of membership numbered 1 and 2 contained in the Board's Regulation H and the following special conditions, the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Chicago:

3. Prior to admission to membership such bank, if it has not already done so, shall increase its basic common capital to not less than $300,000.

4. Such bank shall increase the number of its directors to not less than five, the minimum number required in the case of all member banks under the provisions of Section 31 of the Banking Act of 1933, as amended.

Approved unanimously, for transmittal through the Federal Reserve Bank of Chicago, with a letter to Mr. Young, President of the Reserve Bank, containing the following paragraph:

In connection with the condition of membership numbered 4, it has been noted that the bank has agreed to increase the number of its directors to five at an early date. With the understanding that the matter will be attended to without undue delay, the Board will not object to the admission of the bank to membership with only four directors.

There had been circulated to the members of the Board a memorandum from Mr. Bethea dated August 19, 1955, recommending, in view of the current supply situation and the prospective demand, that an order be placed with Judd and Detweiler, Inc., of Washington, D. C., for the printing of 100,000 copies of "The Federal Reserve System--Purposes and Functions", at an estimated cost of $27,900, with the same specifications as for the first and second printings of the third edition. It was also recommended that, as in the case of the first two printings, copies be distributed without charge.

Chairman Martin said that Governor Vardaman had expressed a strong feeling that competitive bids should be secured, even though the Judd and Detweiler firm was holding type and apparently was in a position to furnish additional copies of the booklet at a price substantially less than any other printer would be able to offer. It was Governor Vardaman's view, he said, that a failure to obtain competitive bids might be criticized as an evasion of standard practice and that the bidding procedure therefore should be followed as a matter of protecting the record.

At the request of the Chairman, Mr. Bethea then described in detail the procedure followed in requesting bids on the occasion of the initial printing of the third edition. In the course of his remarks, he brought out that Judd and Detweiler, in addition to submitting the low bid, agreed to hold type and art materials without charge to the Board, also agreed to store up to 50,000 copies of the booklet without cost and to deliver them as needed, and cooperated fully in other respects. He said that the price bid by the firm on the proposed third printing seemed fair and reasonable (the increase in price being due to higher paper prices), and that the holding of the type automatically would eliminate proofreading and related work which the Division of Administrative Services otherwise would be required to perform. He considered it highly improbable that any other firm could offer a lower price and at the same time meet the required specifications, but he stated that additional bids could be asked without a great deal of work if the Board were to conclude that such a procedure should be followed.

During the course of Mr. Bethea's comments, Mr. Riefler, Assistant to the Chairman, Mr. Leonard, Director, Division of Bank Operations, Mr. Young, Director, Division of Research and Statistics, Mr. Koch and Miss Burr, Assistant Directors, Division of Research and Statistics, and Miss Carmichael, Chief, Publications Section, Division of Administrative Services, entered the room.

In response to a question by Chairman Martin, Mr. Vest said that if there was no great burden involved in asking for competitive bids, such a procedure might afford protection for the record. He also said that he felt the Board was under no compulsion to accept the lowest bid on any occasion if there were good and sufficient reasons why the Board did not see fit to accept that bid.

The matter was discussed further and some feeling was expressed by members of the Board that in spite of the reasons appearing to favor the use of Judd and Detweiler, there was something to be said for securing additional bids in the interest of assuring full compliance with usual procedures. In this connection, Mr. Bethea inquired whether it would be satisfactory, should the Board conclude that it would like to have additional bids obtained, to restrict the invitations to printers who had been recommended for the first printing of the third edition of the booklet and who had expressed some interest in work of that kind. No objection was interposed to limiting the invitations on that basis.

At the conclusion of the discussion, Chairman Martin suggested that in addition to inviting additional bids, there be placed in the files a memorandum describing the procedure followed in connection with arrangements for the first and second printings of the System booklet.

The procedure suggested by Chairman Martin was approved unanimously.

On June 16, 1955, the Board considered recommendations from the Editorial Committee regarding a proposed restyling of the Federal Reserve Bulletin, and on the basis of the discussion at that meeting the staff was requested to submit further recommendations along with a cost estimate. Accordingly, there had been circulated to the members of the Board prior to this meeting a second memorandum from the Editorial Committee, dated August 19, 1955, outlining somewhat modified proposals, discussing the cost involved, and proposing an upward revision in the schedule of Bulletin prices.

At the request of the Board, Miss Burr discussed the reasons that led the staff to suggest the proposed changes, which would include a different type and the use of color.

During the course of Miss Burr's comments, Governor Vardaman joined the meeting.

Mr. Bethea then discussed the suggested increase in Bulletin prices, stating that even before the change in format was proposed, he had been of the opinion that some price adjustment should be considered in view of higher publication costs. The unknown factor, he pointed out, was the extent to which Bulletin subscriptions would fall off if the price were raised. Mr. Bethea also mentioned that there were rather substantial costs which would be incurred incident to the change-over in format. However, after the change-over was accomplished, the larger revenue attributable to raising the price of the Bulletin might offset the continuing costs incident to the use of the new format.

In response to a question, Miss Carmichael commented on the number of paid subscriptions and, in general terms, on the types of subscribers included on the paid list. It was understood that she would submit a memorandum giving a further breakdown of subscribers.

Chairman Martin then stated that the matter of restyling the Bulletin would be discussed further in executive session, at which time he would relate the views that had been expressed to him by Governor Balderston so that the other members of the Board might have the benefit of those views.

Mr. Bethea, Miss Burr, and Miss Carmichael then withdrew from the meeting.

There had been circulated to the members of the Board a memorandum from the Division of Personnel Administration dated August 9, 1955, recommending approval of a proposal of the Federal Reserve Bank of Chicago for an upward adjustment averaging 10 per cent in the salary structure applicable to the head office employees. The memorandum stated that the proposal resulted from a semiannual survey of wage rates in the Chicago area in which the Reserve Bank participated, that the proposed 10 per cent increase would restore the Bank's structure to the third quarter bracket of the community wage market, and that according to the Reserve Bank the expense incident to the higher salary structure would be covered in the Bank's 1955 budget.

During a discussion of the matter, Messrs. Johnson and Sprecher stated, in response to questions by Governor Vardaman, that the structure midpoints of the various Reserve Banks would be found to range from points approximately equal to the weighted average of the community wage market to about eight or nine percentage points above the weighted average, that the basic program called for wage surveys each year, but that telephone surveys sometimes were made when there was no indication of a substantial change in the local wage market. In reply to another question by Governor Vardaman, Mr. Johnson said there was some advantage in having the surveys conducted for Reserve Banks by an outside organization because such organizations have specialized personnel and the project has the flavor of a community-wide survey. On the other hand, he said, it must be recognized that such surveys may be influenced by the make-up of the clientele of the research organization and that some difficulties have been experienced in fitting general surveys to a Reserve Bank's needs. He also pointed out that competent survey organizations are not available in all cities.

Governor Vardaman then inquired regarding the Detroit situation and Mr. Sprecher commented that the Detroit Branch has its own salary structure, that the last survey in Detroit was made about a year ago, that the branch was understood to be conducting a survey currently, but that he did not know when the results would be available.

The suggestion was made by Governor Vardaman that approval of the head office salary structure adjustment be deferred until the results of the branch survey were available but other members of the Board pointed out that the need for an adjustment at the head office having been clearly demonstrated, undue delay in approving the new structure would unfairly penalize the head office employees.

In the circumstances, Chairman Martin suggested that additional information be obtained from the Chicago Reserve Bank regarding the Detroit situation for the Board's benefit in determining what action should be taken.

There was unanimous agreement with this suggestion.

Mr. Sprecher then withdrew from the meeting.

Reference was made to a memorandum dated August 17, 1955, from Mr. Horbett, Associate Director, Division of Bank Operations, which had been circulated to the members of the Board, discussing the lack of uniformity among the Federal Reserve Banks with regard to the making of reserve account adjustments for currency and coin shipments while in transit between Reserve Banks and member banks. In a report of the Presidents' Conference Committee on Miscellaneous Operations dealing with variations in currency and coin services of Federal Reserve Banks, which was presented at the meeting of the Presidents' Conference in June 1955, it was pointed out that all of the Banks except New York and Dallas make reserve allowances for currency and coin in transit when a member bank has a deficiency in reserves; and at the joint meeting of the Board and the Presidents on June 22 it was stated by the Presidents that System-wide uniformity perhaps would not be obtained unless the Board should decide to amend its letter of January 25, 1924 (X-3953) which gives an option to the Reserve Banks. After discussing the history of the matter and bringing out that aggregate reserve allowances for money shipments have been negligible in relation to reserve balances, Mr. Horbett's memorandum suggested as alternatives: (a) that the Board permit the practice to continue at the option of the Reserve Banks, particularly in view of the possibility that legislation might be presented which would permit vault cash to be considered part of required reserves, (b) that the New York and Dallas Banks be requested to make allowances for money shipments when a member bank has a reserve deficiency, or (c) that the other 10 Banks be requested to discontinue the practice.

At the Board's request, Mr. Leonard described how the question had come up and said that from a practical standpoint nothing very significant was involved. He said it was Mr. Horbett's opinion, with which he agreed, that in view of the lack of importance of the matter, there was no strong reason to force the issue and require either group of Reserve Banks to change their current practice.

Governor Mills inquired whether consideration should be given to the fact that the current tightness in reserve positions might emphasize the problem by encouraging member banks to take advantage of the reserve account adjustments. Mr. Leonard responded by commenting that the benefit was available almost exclusively to banks outside of Federal Reserve Bank and branch cities and that those banks, with only a few exceptions, still hold excess reserves.

In reply to another question, Mr. Vest said there might be difficulty from a legal standpoint in supporting a position that currency in transit is a part of member bank reserves. However, he felt it was not necessary to consider the question seriously at this time since the practice of making reserve allowances has been carried on by most of the Reserve Banks, with Board sanction, for more than 30 years. Another possible justification for the practice, he said, lay in the fact that the Board has authority to prescribe rules with regard to penalties for reserve deficiencies.

At the conclusion of the discussion, unanimous agreement was expressed with the view held by Messrs. Leonard and Horbett that the Board should take no action to change existing practices, and it was understood that an appropriate letter would be sent to the Reserve Banks.

Secretary's Note: Pursuant to this action, the following letter was sent to the Presidents of all Federal Reserve Banks on September 6, 1955:

Item 6 of the minutes of the meeting of the Board and the Presidents of the Federal Reserve Banks on June 22, 1955 relates to the report of the Subcommittee on Cash, Leased Wire, and Sundry Operations with respect to lack of uniformity among the Reserve Banks with respect to currency and coin services. In commenting on the report and the discussion of it at the Presidents' Conference, President Earhart stated that there seemed to be a fundamental difference of opinion regarding reserve account adjustments in connection with currency shipments, and that it appeared that uniformity perhaps would not be obtained unless the Board should decide to amend its outstanding letter (X-3953; January 25, 1924) which gives an option to the Federal Reserve Banks.

The Board recognizes the desirability of uniformity in matters pertaining to reserve computations. It has concluded, however, that in view of the long-standing practices and the relatively small amounts involved, there is no occasion at this time to amend the letter so as to require a uniform procedure, particularly in view of the consideration being given within the System to the desirability of legislation that would include cash holdings as part of required reserves.

In a letter dated August 8, 1955, Mr. Robert A. Wallace, Staff Director of the Senate Committee on Banking and Currency, stated that a member of the Committee had requested comment on whether current Federal Reserve policy of making payments to the Treasury as interest on Federal Reserve notes is in violation of section 7 of the Federal Reserve Act. The following reply had been drafted and had been circulated to the members of the Board:

This is in response to your letter of August 8, requesting the Board of Governors to comment on certain aspects of the procedure under which the Federal Reserve Banks make payments to the United States Treasury as interest on Federal Reserve notes.

As you know, these payments are based on the fourth paragraph of section 16 of the Federal Reserve Act, which provides that each Federal Reserve Bank

> "shall pay such rate of interest as may be established by the Board of Governors of the Federal Reserve System on only that amount of such notes which equals the total amount of its outstanding Federal Reserve notes less the amount of gold certificates held by the Federal Reserve agent as collateral security."

This provision of the law is explicit and appears to give the Board full authority to impose an interest rate on outstanding Federal Reserve notes (less the amount of gold certificates securing them) whenever it considers it advisable to do so.

Section 7 of the Federal Reserve Act provides that after all necessary expenses and the required dividend to stockholders have been paid, the net earnings of a Reserve Bank shall be paid into its surplus fund. The interest charge required by the Board of Governors to be paid to the Treasury by a Federal Reserve Bank under section 16 is one of the "necessary expenses" of such bank within the purview of section 7. Thus, in conformity with the provisions of that section, net earnings after expenses (including interest on Federal Reserve notes) and after payment of dividends are paid into surplus.

The Board of Governors did not establish interest rates pursuant to the above-quoted provision of section 16 until April 1947. Before the initial establishment of interest rates for this purpose, the Chairman of the Board discussed the matter in open hearings before the Banking and Currency Committee of the Senate and the Banking and Currency Committee of the House of Representatives. In the course of the discussion before the Senate Committee, the Board's Chairman stated:

> "If the Congress would prefer to reimpose the franchise tax and get it back that way, they can, but that will take legislation and we can accomplish the same purpose through the application of the tax (should be 'interest').
>
> "I mentioned this to the House committee in a hearing on the direct purchase authority, and I am merely mentioning it here today as what we are intending to do, which would mean of course, if the Congress has objection to getting the money back by that method they can get it back by

some other method, but it seems to me that they are interested more in the end result of having earnings of a Reserve bank which after all the Government has the residual interest in, being turned back to the Government." (Hearing on S. 408, 80th Cong., April 17, 1947, p. 23.)

The reasons for and the purpose of the Board's action are fully explained in the enclosed announcement, which was released in the press on April 24, 1947 and published in the Federal Reserve Bulletin of May 1947. In its Annual Report to the Congress covering operations for the year 1947, the Board of Governors described the action taken in this connection and presented again the reasons for and the purpose of the action. In each Annual Report since that time, the Board has informed Congress as to the amounts paid by the Federal Reserve Banks to the Treasury as interest on Federal Reserve notes.

The letter was approved unanimously.

Consideration was given to the following draft of letter to Mr. Ashley Sellers, Chairman of the Special Committee on Legal Services and Procedure, American Bar Association, Washington, D. C., which had been circulated to the members of the Board in advance of this meeting:

This refers to your letter of July 12, 1955 inviting the views of the Board with respect to the recommendations contained in the reports on legal services and procedure of the Commission on Organization of the Executive Branch of the Government, and of its Task Force, and the report of the President's Conference on Administrative Procedure.

These recommendations are of a wide variety and scope, and many of them have little or no application to the activities of the Board. Others could be made effective only by legislation. In view of the Board's relationship to Congress, and since it has not presented its views on these recommendations to any Congressional committee, it does not feel that it is appropriate to express any views concerning these reports at this time.

The Board appreciates the courtesy of your inquiry.

The letter was approved unanimously.

At this point Mr. Eckert, Chief, Banking Section, Division of Research and Statistics, entered the room.

Reference was made to a memorandum from Mr. Young dated August 24, 1955, of which copies had been sent to the members of the Board, recommending that the Board, in cooperation with the Federal Reserve Banks, conduct another survey of member bank loans to business similar to the survey made in November 1946. The memorandum stated that the proposed date for the survey was October 5 and that the number of respondents would be about 1,250 as compared with 2,000 in 1946. After outlining the need for such a survey, the memorandum described the preparatory work which had been done within the System, stated that the Presidents' Conference Committee on Research and Statistics interposed no objection to the survey, indicated that there had been discussions with the Bureau of the Budget, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation, and said that a survey of this character was strongly endorsed by the American Bankers Association. The memorandum went on to say that the Association would supply a letter to the Chairman of the Board of Governors, of which copies could be presented to participating banks by the Reserve Banks, as well as a direct communication from the President of the Association to each bank in the survey sample; and that assurances of support also had been received from the Association of Reserve City Bankers and the Robert Morris Associates. Finally, the memorandum recommended that authorization be given for a joint contract with the Bureau of the Census, the David Taylor Model Basin, and the Army Map Service to program and process the survey results on Univac, at an estimated cost of about $7,500, with the understanding that all editing, coding, and punching of the data on IBM cards would be done at the Federal Reserve Banks.

At the request of the Board, Messrs. Young and Koch discussed the usefulness of the 1946 survey, the desirability of making another such survey, the appropriateness of conducting the survey this year, the reasons why the date of October 5 had been selected, and the preparatory steps that had been taken within the System and through conversations with other parties. In reply to a question by Governor Szymczak regarding the fewer number of banks that would be asked to take part in the proposed survey, Mr. Young said a careful study of the sample had been made, from which it was concluded that the smaller sample would be feasible from the standpoint of accuracy while at the same time producing less problems in respect to respondents.

The question then was raised as to the feasibility of a similar survey of agricultural loans. Governor Shepardson and Mr. Young said that there had been numerous inquiries concerning such a project but that surveys of both business and agricultural loans should not be made within too short a space of time, particularly since some banks would be included in each survey sample and a considerable amount of work was involved in completing the survey forms. Governor Shepardson added, however, that attention would continue to be given to the possibility of an agricultural loan survey at the earliest feasible date.

The discussion then turned to the recommendation for Univac processing of the data and it was brought out that there would be two principal advantages, namely, the saving of manpower and the saving of time in obtaining the survey results.

In this connection, Governor Mills commented on further exploration by the staff into the matter of purchasing an electronic computing machine. (At the meeting on May 20, 1955, this problem was referred to an ad hoc committee consisting of Governors Balderston, Mills, and Shepardson for study and recommendation.) He said it had been found that developments were moving so fast in this field that a substantial investment made now might find the Board in possession of outmoded equipment within a relatively short time. In the circumstances, he pointed out, there was much to be said for an arrangement such as that envisaged in connection with the business loan survey, particularly since this would provide experience in working with electronic computing machinery.

Mr. Young supplemented Governor Mills' statement by saying that according to the best technical advice available, developments in the field of electronic computers might soon reach the point where they would not go much further without more actual experience in the use and applications of the machines. He added that although there were enough uncertainties to preclude a definite recommendation at this time, the staff would continue to keep in close touch with developments.

Governor Vardaman inquired whether there was a possibility of obtaining information on insurance company loans of a character similar to those that would be covered in the bank survey and Mr. Young stated that he would explore the matter with representatives of the insurance industry.

Following further discussion, the recommendations contained in Mr. Young's memorandum were approved unanimously, with the understanding that after clearance of the survey forms with the Bureau of the Budget, appropriate steps would be taken through the Federal Reserve Banks to institute the survey and that advantage would be taken of the offers of support extended by the American Bankers Association, the Association of Reserve City Bankers, and the Robert Morris Associates.

Chairman Martin stated as a matter of information that in connection with steps being taken by the Federal Government to assist those affected by the recent flood in states along the Atlantic seaboard, particularly New England states, a question had been raised regarding the possible use of loans under section 13b of the Federal Reserve Act. He said he discussed the matter with Mr. Vest, who contacted the Federal Reserve Bank of Boston, and that he understood it to be the feeling of Mr. Vest and the Boston Bank that where loans could be construed as being for working capital purposes, for example, where inventories had been destroyed, they might be considered.

Mr. Vest amplified his comment by saying that over the years the Board had taken a very liberal viewpoint on questions of what constitutes working capital and that the Board had been inclined to leave the matter in the hands of the respective Reserve Banks for purposes of administration.

Chairman Martin also said that Mr. Riefler attended, as his alternate, a meeting of the Defense Mobilization Board at which that Board discussed and approved using its resources, and possibly the facilities of the V-loan program, for defense projects affected by the flood.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on August 24, 1955, were approved unanimously.

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

> The Chairman later informed the Secretary that during the executive session further consideration was given to the recommendations discussed earlier regarding the restyling of the Federal Reserve Bulletin and that the matter was referred to an ad hoc committee composed of Governors Balderston, Mills, and Shepardson with power to act on the staff recommendations.

The meeting then recessed and reconvened in the Board Room at 4:25 p.m. with Governors Szymczak, Mills, and Shepardson present. Messrs. Carpenter, Kenyon, Thurston, Riefler, Vest, and Molony, Special Assistant to the Board, also were present.

During the afternoon Governor Mills had received a telephone call from Mr. Bryan, President of the Federal Reserve Bank of Atlanta, who reported that the Bank's Executive Committee, at a meeting today, established a discount rate of 2-1/4 per cent, effective the first business day following approval by the Board of Governors, and that telegraphic advice was being sent to the Board. President Bryan informed Governor Mills that the Executive Committee's action stemmed out of its own judgment of the status of the economy and was not the result of any persuasion on his part. He also indicated that he would like to have Board approval as soon as possible so that a public announcement of the action might be made.

A telephone connection was arranged with Chairman Martin in New York and Governor Mills reported his conversation with President Bryan. He also stated that Governor Vardaman had left his office but that an effort would be made to reach him at his home. Governor Mills indicated that personally he would prefer to wait until next Monday before acting on the matter but that in view of Mr. Bryan's desire to get quick action and the sentiments expressed by Governors Szymczak and Shepardson and members of the Board's staff, he would be willing to vote today in favor of approval, effective tomorrow.

Governor Szymczak then spoke to Chairman Martin, saying that he did not think there would be much repercussion in the market and that action today would allow more time before the Treasury financing for adjustments from the standpoint of reserve positions and open market operations.

Chairman Martin responded that he would favor having the Board act as quickly as possible if there was a sufficient meeting of the minds and that he wished to have his vote cast in favor of approving the Atlanta action, effective tomorrow.

Mr. Thurston left the room and upon his return stated that he had talked by telephone with Governor Vardaman, who expressed himself as favoring Board action and an immediate announcement.

A telephone call was then placed to President Bryan, who was informed that the Board was prepared to act today. It was agreed that the press release would be issued at 5:15 p.m., EDST.

Mr. Rouse, Vice President of the Federal Reserve Bank of New York, was advised of the situation by telephone and was asked to inform Chairman Martin of the time that the action would be announced.

Thereupon, unanimous approval was given to a telegram to President Bryan reading as follows, with the understanding that advice would be sent by telegram to the Presidents of all Federal Reserve Banks and the Vice Presidents in charge of Federal Reserve Bank branches, that the press statement would be in the usual form, and that the usual notice would be sent to the Federal Register:

Reurtel today. Board approves effective August 26, 1955, rates of 2-1/4 per cent on discounts for and advances to member banks under Sections 13 and 13a, and 2-3/4 per cent on advances to member banks under Section 10(b). Otherwise, Board approves establishment by your Bank, without change, of rates of discount and purchase in Bank's existing schedule. Board's announcement on change in discount rate is being given to press at 5:15 p.m. EDST today for immediate release.

The meeting then adjourned.

Secretary