

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, October 27, 1955. The Board met in the Board Room at 9:30 a.m.

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

Mr. Carpenter, Secretary
 Mr. Kenyon, Assistant Secretary
 Mr. Thurston, Assistant to the Board
 Mr. Solomon, 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:

Letter to Mr. Irons, President, Federal Reserve Bank of Dallas, reading as follows:

The Board of Governors approves the payment of salary to Mr. Howard Carrithers as a Vice President of the Federal Reserve Bank of Dallas for the period November 1, 1955, through December 31, 1955, at the rate of \$11,700 per annum, which is the rate fixed by the Board of Directors as indicated in your letter of October 13, 1955.

It is noted from your letter that as Vice President, Mr. Carrithers will be placed on special assignment at the El Paso Branch from November 1 through December 31 and on January 1, 1956, will become the Vice President in charge of the El Paso Branch.

Approved unanimously.

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Letter to Mr. Charles Contopoulos, Executive Vice President and Secretary, Federal Title and Insurance Corporation, Miami Beach, Florida, reading as follows:

This refers to the request contained in your letter of September 22, 1955, addressed to the Federal Reserve Bank of Atlanta, for a determination by the Board of Governors as to the status of Federal Title and Insurance Corporation, Miami Beach, Florida, as a holding company affiliate.

From the information supplied, the Board understands that Federal Title and Insurance Corporation is engaged in the business of insuring titles to real estate, servicing mortgages owned by others, acting as escrow agent in the real estate field, issuing policies of fire and extended coverage on insurable property, purchasing and selling real property, and making loans for the development of vacant property and for the construction of dwellings thereon. It is also understood that Federal Title and Insurance Corporation is a holding company affiliate of Central National Bank of Jacksonville, Jacksonville, Florida, because it owns 4,016 of the 8,000 outstanding shares of common stock of that bank; that the corporation purchased these shares of stock as an investment and holds them for this purpose; that such investment in bank stock is less than five per cent of the corporation's assets; and that Federal Title and Insurance Corporation does not, directly or indirectly, own or control any stock of any other banking institution, or manage or control any banking institution other than Central National Bank of Jacksonville.

In view of these facts the Board has determined that Federal Title and Insurance Corporation is not 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, Federal Title and Insurance Corporation is not deemed to be a holding company affiliate except for the purposes of section 23A of the Federal Reserve Act and does not need a voting permit from the Board of Governors in order to vote the bank stock which it owns.

If, however, the facts should at any time differ from those set out above to an extent which would indicate that Federal Title and Insurance Corporation might be deemed to be so

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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 Atlanta.

Governor Balderston referred to a memorandum dated October 13, 1955, from Mr. Marget, Director, Division of International Finance, which had been circulated to the members of the Board, recommending that Elinor R. Harris, Economist in that Division, be authorized to spend five weeks in Europe in order to study the recent expansion of international capital movements. The memorandum stated that it was contemplated that Miss Harris would visit London, Paris, Brussels, Amsterdam, Zurich, and Basle, and that, in addition to the five weeks spent in those places, the assignment would call for several days of travel time by air. The memorandum also stated that all payment of per diem would be in accordance with the standardized Government travel regulations.

Governor Balderston stated that he had discussed Miss Harris' proposed trip with Mr. Marget and that he (Governor Balderston) recommended that the trip be approved.

Thereupon, the recommendations contained in Mr. Marget's memorandum were approved unanimously.

At this point Mr. Thomas, Economic Adviser to the Board, entered the room.

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There was presented a telegram to the Federal Reserve Bank of Boston approving the reestablishment without change by that Bank on October 24, 1955, of the rates of discount and purchase in its existing schedule.

The telegram to the Boston Bank was approved unanimously and it was agreed that if advice should be received from other Federal Reserve Banks today or tomorrow that existing rates of discount and purchase had been reestablished, those Banks should be notified that the Board approved the reestablishment of the existing rates.

Secretary's Note: Pursuant to this action, telegrams were sent to the Federal Reserve Banks listed below on October 28, 1955, stating that the Board approved the reestablishment on the dates indicated of the rates of discount and purchase in their existing schedules:

New York	October 27
Cleveland	October 27
Richmond	October 27
Atlanta	October 27
Minneapolis	October 27
Dallas	October 27

At the meeting yesterday, consideration was given to a draft of letter to the Bureau of the Budget which was prepared in response to the Bureau's request for the Board's views with respect to a draft of a proposed bill designed to provide coordination between the Civil Service Retirement Act and the Social Security Act. When the file was in circulation, Governor Mills attached a memorandum suggesting a revision of the

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draft of letter and it was understood that a revised draft would be prepared for the Board's consideration. Copies of the revised draft were sent to the members of the Board prior to this meeting.

Governor Mills stated that the revised draft met the points which he had raised and that in his opinion it constituted an appropriate reply.

Thereupon, unanimous approval was given to a letter to Mr. Roger W. Jones, Assistant Director, Legislative Reference, Bureau of the Budget, Washington, D. C., reading as follows:

Your letter of August 23, 1955, requested an expression of the Board's views with respect to a draft of bill "to provide a measure of coordination between the Civil Service Retirement Act and the Social Security Act and for other purposes." The bill has been reviewed and the Board is in agreement with its general objectives, the primary purpose of which is to supplement the Civil Service Retirement System benefits with those provided under Old Age and Survivors Insurance so that Federal employees would be assured of an improved, well-rounded program of protection.

As stated in the Board's reply to your letter of May 6, 1954, concerning Proposal No. 2 of the Committee on Retirement Policy for Federal Personnel, the plan proposed by this draft of bill can be expected to reveal problems which could not be foreseen but there should be no serious difficulty in arriving at solutions that will preserve the thinking against which the proposal has been developed.

Prior to this meeting there had been sent to the members of the Board copies of a draft of letter to the Acting Secretary of the Federal Advisory Council suggesting items for discussion at the meeting of the Board and the Council to be held on November 15, 1955. Among other things, the draft would inquire whether there was any concern about the high

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proportion of new car instalment paper acquired by banks that has less than standard down payments and very long terms; and to what extent the amount of the note in the new car paper acquired was greater than the dealer's cost of the car financed. The draft also would state that the Board would appreciate it if the Council would present arguments for and against a change in the Federal Reserve Bank discount rate.

In a discussion of these matters, during which Mr. Young, Director, Division of Research and Statistics, was called into the meeting, it was suggested that the Council's views with regard to a change in the discount rate could be obtained in the course of discussion at the meeting and that it would therefore seem unnecessary to include reference to this matter in the letter to the Council.

With regard to the second part of the question concerning new car instalment paper, Mr. Young said that the idea behind including this inquiry was to encourage the members of the Council to think of down payments from the standpoint of the dealer's costs, which would appear to be more pertinent than the stated price which the customer pays for a new car. He said that some national finance corporations were moving in this direction and that it would be a real advance if banks were to do likewise. After a discussion of this point it was agreed that that part of the question should be dropped.

Mr. Thomas inquired whether it would be desirable to obtain the Council's views regarding the inquiry in a recent letter from Representative

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Patman which concerned provisions in the Federal tax law which are understood to provide special treatment for commercial bank losses from certain types of securities, including Government securities. The comment was made that a reply to Mr. Patman's inquiry might have been transmitted before the date of the Board's meeting with the Council and that if the letter had not gone forward by that date, the Council might be asked to comment during the course of the meeting.

At the conclusion of the discussion, unanimous approval was given to a letter to Mr. William J. Korsvik, Acting Secretary of the Federal Advisory Council, in the following form:

The Board would appreciate having the following items placed on the agenda for the meeting of the Board and the Federal Advisory Council to be held on Tuesday, November 15, 1955:

1. What are the views of the Council with respect to the prospective business situation during the remainder of this year and the first six months of 1956? Information and views as to the position of farmers would be particularly significant at this time.
2. What are the probable changes in the volume and purposes of bank loans (a) during the remainder of 1955, (b) during the first six months of 1956? Without limiting in any way the scope of this question, it is hoped that the members of the Council will report fully on developments and prospects in the field of real estate credit.
3. Is there any concern about the proportion of new car instalment paper acquired by banks that has less than standard down payments and very long terms?
4. What are the views of the members of the Council with respect to the System's current credit policies and what, if any, changes might be called for by developments during the balance of this calendar year or during the first three months of 1956?

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Mr. Solomon then withdrew from the meeting.

At the joint meeting of the Board and the Presidents' Conference on October 4, 1955, the Presidents stated that the Conference had accepted a report of the Special Committee on Studies of the Banking Structure concerning the issues which proposed studies of the banking structure might encompass and the avenues by which such a program might proceed. The Presidents suggested that analytical work be carried forward by existing Conference subcommittees and members of the Board's staff and that this work be integrated by a coordinating committee of Board and Bank representatives. It was also suggested that over-all direction be supplied by the Special Committee of the Conference together with a member of the Board of Governors. At the joint meeting, the Board stated that it would be glad to take the matter under consideration.

In a discussion of the matter, the view was expressed that since the studies would cover areas which include transactions requiring final approval by the Board, such as bank mergers, establishment of branches, and certain transactions in the bank holding company field, it would be better if the over-all direction of the studies were supplied by the special committee of the Presidents' Conference without participation in such direction of a member of the Board. This would leave the Board free to come to its own conclusions on the basis of the recommendations of the Presidents' Conference. In the circumstances, the suggestion was made that the Presidents be advised that while the Board agreed that the

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studies should be undertaken and would be glad to have the Board's staff assist in any way it can in assembling and analyzing the information desired as a basis for the studies, it would be better if the studies were the work of the Presidents' Conference.

It was understood that a draft of letter would be prepared in the light of the discussion for further consideration by the Board.

At this point the members of the staff with the exception of Messrs. Carpenter and Thurston withdrew from the meeting and Mr. Fauver, Assistant Secretary, was called into the room.

There was a preliminary informal discussion of the appointment of directors by the Board at the Federal Reserve Banks and branches for terms beginning January 1, 1956, and the designation of chairmen and the appointment of deputy chairmen for the coming calendar year. During the discussion it was pointed out that while the Board had appointed a third Class C director at Kansas City to fill the vacancy created by the resignation of Mr. Puckett as Class C director and Deputy Chairman, the resulting vacancy in the deputy chairmanship had not been filled.

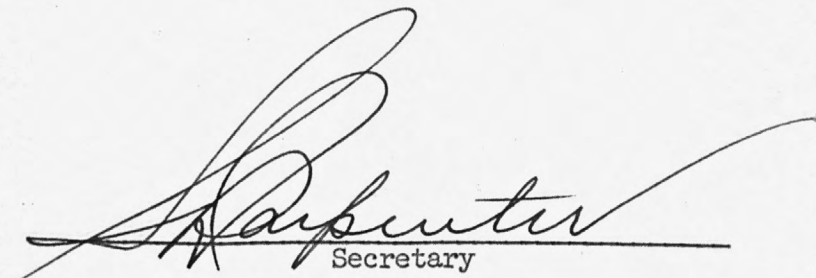
By unanimous vote, Mr. Joe W. Seacrest, presently serving as a Class C director, was appointed Deputy Chairman of the Kansas City Bank for the remainder of the year 1955.

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Minutes of actions taken by the Board of Governors of the Federal Reserve System on October 26, 1955, were approved unanimously.

The meeting then adjourned.



Secretary