Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, November 15, 1955. The Board met in the Special Library at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Balderston, Vice Chairman
Mr. Szymczak
Mr. Wardaman
Mr. Mills
Mr. Robertson
Mr. Shepardson
Mr. Carpenter, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Thurston, Assistant to the Board
Mr. Riefler, Assistant to the Chairman
Mr. Thomas, Economic Adviser to the Board
Mr. Bethea, Director, Division of Administrative Services
Mr. Vest, General Counsel
Mr. Young, Director, Division of Research and Statistics
Mr. Sloan, Director, Division of Examinations
Mr. Koch, Assistant Director, Division of Research and Statistics
Mr. Wood, Economist, Division of Research and Statistics

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 that the basic annual salaries of the following employees be increased in the amounts indicated, effective November 20, 1955:

<table>
<thead>
<tr>
<th>Name and title</th>
<th>Division</th>
<th>Basic annual salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Athens J. Messick,</td>
<td>Board Members' Offices</td>
<td>$4,210 to $4,345</td>
</tr>
<tr>
<td>Stenographer</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Salary increases, effective November 20, 1955 (continued)

<table>
<thead>
<tr>
<th>Name and title</th>
<th>Division</th>
<th>Basic annual salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Edward A. Manookian, Economist</td>
<td>Research and Statistics</td>
<td>$4,930 - $5,065</td>
</tr>
<tr>
<td>Stanley Sigel, Economist</td>
<td></td>
<td>9,205 - 9,420</td>
</tr>
<tr>
<td>Elizabeth P. Tewksbury, Clerk</td>
<td></td>
<td>4,750 - 4,885</td>
</tr>
<tr>
<td>Frederick R. Dahl, Economist</td>
<td>International Finance</td>
<td>5,710 - 5,845</td>
</tr>
<tr>
<td>Mary M. Durkan, Technical Assistant</td>
<td>Bank Operations</td>
<td>7,035 - 7,250</td>
</tr>
<tr>
<td>James C. Smith, Senior Federal Reserve Examiner</td>
<td>Examinations</td>
<td>10,965 - 11,180</td>
</tr>
<tr>
<td>Alice Nesbitt, Clerk</td>
<td>Personnel Administration</td>
<td>1,588 - 1,630</td>
</tr>
<tr>
<td>Margaret Dalton, Charwoman</td>
<td>Administrative Services</td>
<td>3,125 - 3,200</td>
</tr>
<tr>
<td>Aaron Dortch, Cafeteria Laborer</td>
<td></td>
<td>2,915 - 3,000</td>
</tr>
<tr>
<td>Mary J. Fowler, Charwoman</td>
<td></td>
<td>3,125 - 3,200</td>
</tr>
<tr>
<td>Violet Herrmann, Cafeteria Helper</td>
<td></td>
<td>3,125 - 3,200</td>
</tr>
</tbody>
</table>
Salary increases, effective November 20, 1955 (continued)

<table>
<thead>
<tr>
<th>Name and title</th>
<th>Division</th>
<th>Basic annual salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jean Mull, Clerk</td>
<td>Administrative Services</td>
<td>$3,260 to $3,345</td>
</tr>
<tr>
<td>James H. Newton, Messenger</td>
<td></td>
<td>3,370 to 3,455</td>
</tr>
<tr>
<td>Almeda Steiner, Charwoman</td>
<td></td>
<td>3,125 to 3,200</td>
</tr>
<tr>
<td>Nellie G. Tobler, Elevator Operator</td>
<td></td>
<td>3,125 to 3,200</td>
</tr>
<tr>
<td>Levernon Wood, Operator, Duplicating Devices</td>
<td></td>
<td>3,140 to 3,307</td>
</tr>
</tbody>
</table>

Approved unanimously.

Memorandum dated November 7, 1955, from Mr. Marget, Director, Division of International Finance, requesting that the Division be authorized to make arrangements with the Foreign Service Institute of the Department of State for instruction in German for Gordon Grimwood, Economist in that Division, on a basis whereby Mr. Grimwood would receive instruction without charge for one hour each day over a period not to exceed six months. The memorandum also requested continuing permission to arrange language instruction on the same basis for other members of the Division designated by the Division Head, with the understanding that no more than two employees would be designated to receive instruction at any one time.

Approved unanimously.

Letter to Mr. Stetzellberger, Vice President, Federal Reserve Bank of Cleveland, reading as follows:

In accordance with the request contained in your letter of November 2, 1955, the Board approves the designations of the following named employees of your bank as special assistant examiners for the Federal Reserve Bank of Cleveland:

Donald Ashcraft
Gerald F. Biedenbender
Joseph W. Crowley
John Groppe
Roscoe Harrison
John Mitchell, Jr.
Robert P. Schafer
Appropriate notations have been made on our records of the names to be deleted from the list of special assistant examiners.

Approved unanimously.

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

In accordance with the request contained in your letter of November 4, 1955, the Board approves the designation of William F. Moehle as a special assistant examiner for the Federal Reserve Bank of Chicago.

Approved unanimously.

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

Reference is made to your letter of October 10, 1955 regarding the question whether, under section 8 of the Clayton Act, Mr. Eugene W. Stetson, a director of the Guaranty Trust Company, New York, N. Y., Mr. George E. Roosevelt, a director of the Guaranty Trust Company, New York, N. Y., and Mr. N. Baxter Jackson, Chairman, Chemical Corn Exchange Bank, New York, N. Y., may serve as members of an advisory Board of French American Banking Corporation described in the letter of September 28, 1955 to your Bank from the President of the Corporation.

In view of the facts stated in the letter of September 28, 1955 from the President of the Corporation, a copy of which was enclosed with your letter, the Board agrees with your view that section 8 would not be applicable.

Following a statement by Governor Robertson, in which Mr. Vest concurred, to the effect that the facts in each case of this kind should be reviewed carefully from the standpoint of conformity with the intent of the pertinent statutes, the letter was approved unanimously.
There was presented a request from Mr. Conkling, Assistant Director, Division of Bank Operations, for authority to travel to New York, New York, on November 21, 1955, to attend a meeting of the Committee on the Retirement System Study.

Approved unanimously.

Reference was made to a memorandum dated November 7, 1955, from Mr. Young, Assistant Counsel, recommending for reasons stated that no response be made to a circular letter addressed by the Bureau of the Budget under date of October 15 to the heads of all executive departments and establishments setting forth certain general "guidelines" for identifying, and declaring as excess, real property holdings of the Government. The letter requested the head of each agency to ensure (1) that instructions and criteria are developed and issued for the application of these "guidelines", (2) that thorough reviews of real property holdings are instituted and carried through on an annual basis, and (3) that properties are declared excess if continued ownership is not justified. It also requested each agency to send to the Bureau by November 30, 1955, copies of the criteria and instructions issued by the agency in applying the "guidelines" stated in the letter.

The recommendation contained in the memorandum was approved unanimously.

There had been received from the Comptroller of the Currency requests for recommendations with respect to applications to organize new
national banks in Houston, Texas, and Augusta, Georgia, respectively. In each case the Federal Reserve Bank concerned suggested an unfavorable recommendation and the Division of Examinations submitted drafts of letters to the Comptroller of the Currency taking that position. When the file on the Houston application was circulated to the members of the Board, Governor Robertson attached a memorandum discussing the application and stating that he could see no reasonable basis on which to recommend denial. Governor Mills attached a memorandum to the file on the Augusta application stating reasons why he felt that there were sufficient grounds to justify a favorable recommendation.

At the request of the Board, Mr. Sloan commented on the two applications, each of which he considered a borderline case. He went on to say that the Division of Examinations had made a further study of them on the basis of the memoranda from Governors Robertson and Mills and in the light of additional information concerning the Houston application which Governor Robertson had received from the Office of the Comptroller of the Currency. As a result, he said, the Division now suggested that letters reading as follows be sent to the Comptroller of the Currency:

Reference is made to a letter from your office dated September 15, 1955, enclosing photostatic copies of an application to organize a national bank at Augusta, Georgia, and requesting a recommendation as to whether or not the application should be approved.

Information contained in a report of investigation of the application made by an examiner for the Federal Reserve Bank of Atlanta indicates that the proposed capital of the bank in the amount of $150,000 is less than the amount
required under Section 5138 U. S. Revised Statutes for the organization of a bank in a city the size of Augusta. While it appears that the need for the bank in the community is not urgent, it is believed that the institution could operate satisfactorily and would provide an added convenience to residents and businesses in the immediate area. The Board of Governors is of the opinion that the facts are not such as to warrant an adverse recommendation, provided arrangements are made for capital structure satisfactory to your office.

The Board's Division of Examinations will be glad to discuss any aspects of this case with representatives of your office, if you so desire.

Reference is made to a letter from your office dated August 18, 1955, enclosing photostatic copies of an application to organize a national bank at Houston, Texas, and requesting a recommendation as to whether or not the application should be approved.

Information contained in the report of investigation of the application made by an examiner for the Federal Reserve Bank of Dallas indicates that the proposed capital structure of the bank would be adequate. Other factors usually considered appear reasonably favorable. While no urgent need for the facility is apparent it is estimated that the bank will acquire a reasonably satisfactory deposit volume in three years and the proposed operating management, while not experienced in city banking, has a favorable record. In the circumstances the Board of Governors recommends approval of the application.

The Board's Division of Examinations will be glad to discuss any aspects of this case with representatives of your office, if you so desire.

In a further discussion of the Houston application, Governor Shepardson said that he had been studying individual applications for new
national bank charters in an effort to establish some principles which would be of general application, but that he found it difficult to find any such principles. He then pointed out that the Federal Reserve Bank of Dallas had made a detailed investigation of the Houston application and had an intimate knowledge of the area. Drawing upon his personal knowledge of the community, Governor Shepardson said that the proposed bank would be located in a deteriorating part of the city and that other banks were within a reasonable distance. In all the circumstances, he found it difficult to justify the establishment of another banking facility.

The comment was also made that the principal proponent of the new bank was an insurance company executive who apparently desired to have a bank located in the company's new building. It appeared that the insurance company would exercise considerable influence in the conduct of the bank's operations, and the members of the Board indicated that they looked with some disfavor on such an arrangement. At the same time, this factor of itself was not believed to warrant an unfavorable recommendation regarding the application.

There followed some discussion regarding general principles which might be borne in mind in connection with applications to establish new banks or branches during which Chairman Martin suggested that something might be said for a highly restrictive policy under current conditions. On the other hand, he said, this would tend to violate the principle of
free enterprise. All things considered, it appeared to him that the Board must exercise its best judgment on the basis of the reasons for and against approving or recommending favorably with respect to individual applications.

At the conclusion of the discussion, the letter to the Comptroller of the Currency with regard to the application to organize a national bank in Augusta, Georgia, was approved unanimously. The letter with respect to the application to organize a national bank in Houston, Texas, also was approved, Governor Shepardson voting "no" for the reasons which he had stated.

Pursuant to the understanding at the meeting on November 9, 1955, there had been prepared a revised draft of statement for presentation by Chairman Martin at a round-table discussion of the residential construction and mortgage financing field to be conducted by the Subcommittee on Housing of the Senate Banking and Currency Committee on November 28 and 29, 1955.

During a discussion of the revised draft, copies of which had been sent to the members of the Board prior to this meeting, several questions of substance were raised and there were a number of suggestions for editorial changes. It was understood that another draft would be prepared for consideration at a meeting on Tuesday, November 22.
Minutes of actions taken by the Board of Governors of the Federal Reserve System on November 14, 1955, were approved unanimously. The meeting then adjourned.