

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, November 16, 1955. The Board met in the Board Room at 2:00 p.m.

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

Mr. Carpenter, Secretary
Mr. Sherman, Assistant 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. Vest, General Counsel
Mr. Young, Director, Division of Research and Statistics
Mr. Molony, Special Assistant to the Board

At the meeting of the Federal Open Market Committee this morning there was a full discussion of current business, credit, and money market developments and System credit policy and it was the unanimous view of the Committee and the other Presidents of the Federal Reserve Banks who were present that an increase in the Federal Reserve Bank discount rate from 2 1/4 to 2 1/2 per cent was warranted. It seemed likely that the directors of at least three Reserve Banks (New York, Chicago, and San Francisco) would act tomorrow to increase the rate, subject to review and determination by the Board of Governors.

Chairman Martin said that in view of prospective absences of members of the Board tomorrow and Friday, he would suggest that the Board

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consider approving a rate of 2 1/2 per cent and appropriate subsidiary rates of discount and purchase for any Banks which might act to establish such rates tomorrow or Friday, with the understanding that a press statement would be issued announcing the approval by the Board of the action taken by the Reserve Banks.

In response to a question from Chairman Martin, Mr. Vest said that he saw no reason from a legal standpoint why the Board could not act today in anticipation of action by Federal Reserve Banks Thursday or Friday.

Consideration then was given to the form of press statement which should be issued and it was understood that the statement would be in the usual form. Reference also was made to the possibility that certain Reserve Banks might act to reestablish without change the rates of discount and purchase in their existing schedules. While it was not believed likely that such action would be taken by any Reserve Bank, it was stated that if the Board should receive advice from any Bank that the current rates had been reestablished, the matter would be considered at a meeting of the Board.

There followed a discussion of what might be said in response to questions from the press concerning a change in the discount rate. It was the consensus that no official statement other than that contained in the usual press statement need be made and that informal comments on the part of Messrs. Thurston and Molony should be limited to an explanation

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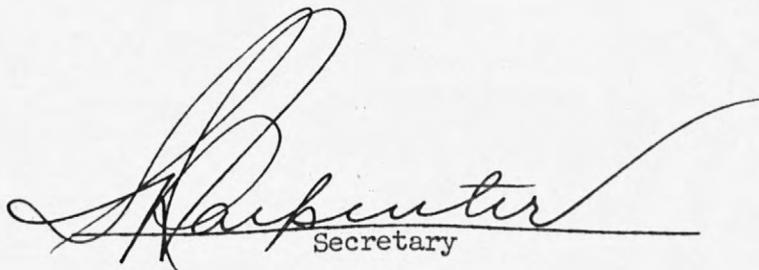
of the facts concerning the change and reference, if necessary, to indicators of current business activity.

Thereupon, it was agreed unanimously that if advice were received from any Federal Reserve Bank tomorrow or Friday that the directors of such Bank had acted to increase the discount rate from 2 1/4 to 2 1/2 per cent and to establish appropriate subsidiary rates of discount and purchase, the Reserve Bank would be notified that the Board approved the action taken by its directors, effective as of the beginning of the next business day; a statement would be issued to the press in the usual form; advice would be sent by telegram to the Presidents of all Federal Reserve Banks and the Vice Presidents in charge of branches; and the usual notice would be sent to the Federal Register.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on November 15, 1955, were approved unanimously.

Minutes of the meeting of the Board of Governors of the Federal Reserve System with the Federal Advisory Council on November 15, 1955, were approved unanimously.

The meeting then adjourned.


Secretary