

Minutes for May 16, 1956

To: Members of the Board

From: Office of the Secretary

Attached is a copy of the minutes of the Board of Governors of the Federal Reserve System on the above date.

It is not proposed to include a statement with respect to any of the entries in this set of minutes in the record of policy actions required to be maintained pursuant to section 10 of the Federal Reserve Act.

Should you have any question with regard to the minutes, it will be appreciated if you will advise the Secretary's Office. Otherwise, if you were present at the meeting, please initial in column A below to indicate that you approve the minutes. If you were not present, please initial in column B below to indicate that you have seen the minutes.

	A	B
Chm. Martin	x <u>[Signature]</u>	_____
Gov. Szymczak	x <u>[Signature]</u>	_____
Gov. Vardaman	_____	x <u>[Signature]</u>
Gov. Mills	x <u>[Signature]</u>	_____
Gov. Robertson	x <u>[Signature]</u>	_____
Gov. Balderston	x <u>CB</u>	_____
Gov. Shepardson	x <u>[Signature]</u>	_____

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, May 16, 1956. The Board met in the Board Room at 9:15 a.m.

PRESENT: Mr. Martin, Chairman  
 Mr. Balderston, Vice Chairman  
 Mr. Szymczak  
 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. Young, Director, Division of Research and Statistics  
 Mr. Cherry, Legislative Counsel

There had been sent to the members of the Board copies of a letter from Congressman Patman dated May 10, 1956, raising certain questions with regard to the recent action of the Federal Reserve System in increasing the discount rate, along with a draft of suggested reply. The questions were based on reports in the press to the effect that certain Government officials had commented critically concerning the increase.

Following a discussion, unanimous approval was given to a letter for the signature of Chairman Martin to The Honorable Wright Patman, Chairman of the Subcommittee on Economic Stabilization of the Joint Committee on the Economic Report, reading as follows:

This is to acknowledge your letter of May 10, with regard to the recent action of the Federal Reserve System in raising rediscount rates.

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The directors of each of the twelve Federal Reserve Banks who initiated this action, with the subsequent approval of the Board of Governors, voted for increased discount rates prior to publication of the press stories to which you refer. The decisions to increase discount rates were taken separately at each of the twelve Federal Reserve Banks by their respective boards, consisting all told of 108 directors.

As you know, the Treasury and the Federal Reserve work as partners in discharging their responsibilities. To this end there must be and there is constant consultation and cooperative discussion between them with respect to economic and related problems with which both are concerned. Similarly the Federal Reserve, in keeping abreast of developments in the economy, necessarily maintains contacts with branches of the Government other than the Treasury. Such consultations do not, however, mean any loss of independence by the Federal Reserve in discharging the responsibilities delegated to it by the Congress.

From time to time there are bound to be differences of judgment, of emphasis and of timing. It would be astonishing in a democracy if this were not so and indeed it would be reason for grave concern if precautionary action had to wait for unanimity.

There has been no departure now or at any time during my chairmanship from the procedure of full and frank discussion between members of this Board and staff and officials of other interested Government agencies with a view to discharging public responsibilities in accordance with the best obtainable judgment and the independent exercise of that judgment.

At this point Mr. Dembitz, Assistant Director, Division of Research and Statistics, entered the room.

Consideration was given to a memorandum from Mr. Young dated May 9, 1956, copies of which had been sent to the members of the Board, stating that the initial planning for the proposed survey of bank loans

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to farmers had now been completed and recommending that the Board, in cooperation with the Federal Reserve Banks, conduct such a survey on June 30, 1956. After discussing the nature and purposes of the survey, the memorandum stated that active support would be provided by the American Bankers Association, that the Federal Deposit Insurance Corporation would request the cooperation of nonmember insured banks included in the survey sample, and that the Farm Credit Administration planned to conduct a parallel survey on the same date among the Production Credit Associations. The memorandum also summarized the coverage of the survey and the estimated cost to the Federal Reserve System in terms of employees' time and out-of-pocket expense.

Governor Shepardson stated that he would recommend approval of a survey conducted along the lines set forth in the memorandum. In a further comment, he stated that at a recent meeting called by the Council of Economic Advisers to discuss general farm credit problems, at which the Board was represented along with other agencies, considerable interest was expressed in the survey and there were indications of appreciation that the System was going ahead with it. Some interest also was shown, he said, in the possibility of obtaining statistics in this area on a current reporting basis.

Thereupon, the recommendation contained in Mr. Young's memorandum was approved unanimously.



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

The Secretary later was informed by the Vice Chairman that during the executive session the Board authorized Mr. Thomas, Economic Adviser to the Board, to accept an invitation to make an address on economic trends and monetary policy in Milwaukee, Wisconsin, on June 20, 1956, before the convention of the Wisconsin Bankers Association.

The meeting then adjourned.

Secretary's Note: Pursuant to the authority given to him at the meeting of the Board on March 28, 1956, in connection with the current study of consumer credit, Governor Mills approved on May 15, 1956, the following letter to Mr. Philip R. Elmer, Vice President, National Credit Office, Inc., 2 Park Avenue, New York, New York:

Attached and signed by me on behalf of the Board of Governors of the Federal Reserve System is the original of a contract which provides for specialized service by your organization to the Board for the period May 15, 1956 to May 15, 1957. It is understood that the cost of the contract will not exceed \$460 for which amount we may obtain pertinent financial data regarding as many as 100 finance companies.

It is also understood that your organization will, upon receipt of this contract, send us your latest reports on individual finance companies. It is further agreed that the National Credit Office, Inc., will, during the specified 12-month period, make available to us current and back files on these companies; that you will answer any questions we may have on these companies (including making direct inquiries to the companies on specific points) and that you will automatically send us any later or revised reports that you may

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happen to have prepared on individual companies. It is further agreed that there will be no reduction in price if we do not avail ourselves of these services.

Any finance company information furnished us as a result of this contract should be sent to our Business Finance and Capital Markets Section, Division of Research and Statistics--Attention: Miss Stockwell.

On May 15, 1956, Governor Balderston approved the following items on behalf of the Board:

Memorandum dated May 14, 1956, from Mr. Young, Director, Division of Research and Statistics, recommending the appointment of Patti J. Davenport as Secretary in that Division, with basic salary at the rate of \$4,210 per annum, effective the date she assumes her duties.

Memorandum dated May 11, 1956, from Mr. Sloan, Director, Division of Examinations, recommending the appointment as a Federal Reserve Examiner of William S. Wait, whose title was changed from Assistant Federal Reserve Examiner to Review Examiner in that Division effective May 6, 1956.

Letter to Mr. Robert W. Burgess, Director, Bureau of the Census, Department of Commerce, Washington, D. C., reading as follows:

The Board has authorized reimbursement to the Bureau of the Census for any payments made as a result of traveling expenses incurred by Mr. Joseph F. Daly, Chief, Statistical Research Section, Bureau of the Census, in connection with his assistance to the Federal Reserve System Subcommittee on Deposit Ownership Data.

It is understood that Mr. Daly will, under proper authorization, perform such travel in accordance with standardized Government travel regulations.

Resultant reimbursement claims made by your organization should be accompanied by a copy of any travel voucher submitted by Mr. Daly, and by a copy of the pertinent travel authorization. Please submit reimbursement claims to our Fiscal Section, Office of the Controller.

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Governor Balderston today approved on behalf of the Board memoranda from appropriate individuals concerned recommending actions with respect to the Board's staff as follows:

Appointments, effective upon the respective dates of assuming duties

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
Pearl S. Thompson, Records Clerk	Office of the Secretary	\$3,415	
Daisy Ferguson, Cafeteria Helper <sup>1/</sup>	Administrative Services	2,600	

Salary increases, effective May 20, 1956

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Research and Statistics</u>			
Peter M. Keir, Economist		\$7,035	\$7,570
Mary Ann Nichols, Clerk-Typist (half-day basis)		1,588	1,630
Kathryn E. Ridgway, Clerk		3,670	3,755
Murray S. Wernick, Economist		10,535	10,750

International Finance

Rosa Ernst, Economist (Editorial)	6,115	6,250
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Examinations

C. R. Dow, Assistant Federal Reserve Examiner	4,525	4,660
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<sup>1/</sup> Temporary appointment for two months.

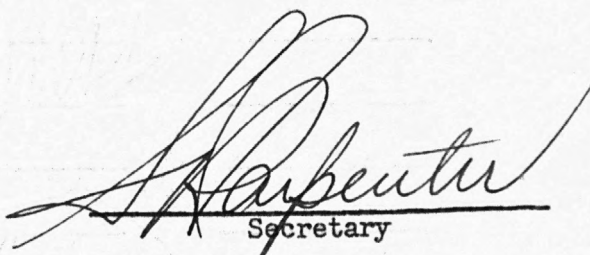


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Salary increases, effective May 20, 1956 (continued)

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Administrative Services</u>			
Marjorie B. Beattie, Manager, Cafeteria		\$5,980	\$6,115
Edna L. Benjamin, Cafeteria Helper (part-time basis)		1,450	1,488
Vera V. Dulin, Cashier		3,130	3,215
Valeria Faina, Charwoman		2,900	2,975
John M. Pope, Guard		3,130	3,215
Lyla E. Szillat, Operator, Key Punch		3,430	3,515

  
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 Secretary