

Minutes for June 11, 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>R</u>
Gov. Balderston	x <u>CCB</u>	_____
Gov. Shepardson	x <u>[Signature]</u>	_____

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, June 11, 1956. The Board met in the Board Room at 10:00 a.m.

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

Mr. Carpenter, Secretary
 Mr. Kenyon, Assistant Secretary
 Mr. Thurston, Assistant to the Board
 Mr. Vest, General Counsel
 Mr. Young, Director, Division of Research and Statistics
 Mr. Sloan, Director, Division of Examinations
 Mr. Hackley, Assistant General Counsel
 Mr. Cherry, Legislative 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 stated:

Letter to the Board of Directors, The Farmers Savings Bank Company, Stony Ridge, Ohio, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of Cleveland, the Board of Governors approves the establishment of a branch by The Farmers Savings Bank Company in a shopping center on the south side of Woodville Road in Ross Township, Wood County, Ohio, provided the branch is established by March 21, 1957, and approval of the State authorities is effective as of the date the branch is established.

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It is understood that the bank proposes to sell \$50,000 additional common stock at a premium of \$50,000 before the branch is opened for business.

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

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

Reference is made to your letter of May 28, 1956, enclosing a resolution adopted by the board of directors of The Holgate State Bank, Holgate, Ohio, signifying its intention to withdraw from membership in the Federal Reserve System and a letter requesting waiver of the six months' notice of such withdrawal. Also enclosed was a letter from the president of the bank setting forth reason for withdrawal, and copy of opinion of Counsel regarding the resolution.

In accordance with the bank's request, the Board of Governors waives the requirement of six months' notice of withdrawal. Accordingly, upon surrender of the Federal Reserve Bank stock issued to the bank, you are authorized to cancel such stock and make appropriate refund thereon. Under the provisions of Section 10(c) of Regulation H, as amended effective September 1, 1952, the bank may accomplish termination of its membership at any time within eight months after notice of intention to withdraw is given. Please advise when cancellation is effected and refund is made.

The certificate of membership issued to the bank should be obtained, if possible, and forwarded to the Board. The State banking authorities should be advised of the bank's proposed withdrawal from membership and the date such withdrawal becomes effective.

It is noted that the bank has made application to the Federal Deposit Insurance Corporation for continuance of deposit insurance after withdrawal from membership.

Approved unanimously.

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

As recommended in your letter of May 24, 1956, the Board of Governors, under the provisions of Section 24A of the Federal Reserve Act, approves an additional investment in bank premises not to exceed \$56,000 by the Robert Lee State Bank, Robert Lee, Texas.

It is understood that the building now occupied will be sold, and the proceeds of sale will be applied to reduce the carrying value of the new quarters.

Please advise the bank of the above approval.

Approved unanimously.

There were presented telegrams to the following Federal Reserve Banks approving the establishment without change on the dates indicated of the rates of discount and purchase in their existing schedules:

Boston	June 4
St. Louis	June 4
San Francisco	June 6
New York	June 7
Philadelphia	June 7
Cleveland	June 7
Richmond	June 7
Atlanta	June 7
Minneapolis	June 7
Kansas City	June 7
Dallas	June 7

Approved unanimously.

There had been sent to the members of the Board before this meeting copies of a draft of statement prepared for the use of Chairman Martin in testifying tomorrow before the Subcommittee on Economic

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Stabilization of the Joint Committee on the Economic Report. According to the Subcommittee, the hearing was to be concerned with procedural matters surrounding the recent increase in Federal Reserve Bank discount rates, including reports in the press regarding differences of opinion within the Government concerning the wisdom of the action. At the same time, it was understood that the Subcommittee did not intend at this time to go into the merits of the action itself. In view of the indicated purpose of the hearing, the draft of testimony was devoted principally to an explanation of the organization of the Federal Reserve System from the standpoint of responsibility for policy actions.

After discussing the approach taken in the draft of testimony, Mr. Thurston distributed to the members of the Board copies of an alternative draft prepared by Mr. Riefler, Assistant to the Chairman, which was directed toward the reasons why differences of opinion in a matter such as an increase of the discount rate might develop and also would point out the System's responsibility for making policy decisions in the monetary and credit area.

Governor Vardaman stated that he felt the approach taken in the original draft was appropriate but that he would like to suggest certain changes. He then read a revised draft which he had prepared.

Following expressions of general concurrence in the revised draft, Mr. Cherry read the letter dated May 10, 1956, from Congressman

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Patman, Chairman of the Subcommittee on Economic Stabilization, in which Mr. Patman asked certain specific questions with regard to communications or representations regarding the discount rate action which the Board might have received from other parties within the Government either before or after the rate was increased. Reference also was made to the Board's reply dated May 16. The questions raised in Mr. Patman's letter then were discussed from the standpoint of the responses which it would be appropriate for Chairman Martin to make in the course of the hearing if similar questions were directed to him.

At the conclusion of the discussion, Chairman Martin suggested that the draft of testimony sent to the members of the Board prior to this meeting be revised in accordance with the changes proposed by Governor Vardaman and also to incorporate portions of the alternative draft submitted by Mr. Riefler. He said that unless a request was made at the hearing that the statement be read, he proposed to submit it for inclusion in the record and then to indicate his willingness to answer such questions as the Subcommittee might wish to ask. Chairman Martin also said that Mr. Young had prepared certain material reviewing recent economic trends and that if there was no objection he would use this material in such manner as seemed appropriate in the light of developments at the hearing.

There was unanimous agreement
with the procedure suggested by
Chairman Martin.

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Mr. Thurston then withdrew from the meeting.

There had also been sent to the members of the Board copies of a draft of testimony to be given tomorrow by Governor Balderston before the Subcommittee on Banking of the Senate Committee on Banking and Currency regarding bill S. 3911, which would amend section 18(c) of the Federal Deposit Insurance Act to require the prior consent of the appropriate Federal bank supervisory agency in the case of any bank merger or consolidation in which the resulting bank would be a national bank, a State member bank, or a nonmember insured bank. This bill was developed by the three Federal banking agencies, submitted by the Treasury Department, and introduced by Senator Fulbright on behalf of himself and Senator Capehart. The Board's favorable position with respect to legislation of this kind to deal with the bank merger problem had been stated in letters to the Bureau of the Budget and the Senate Banking and Currency Committee, and also in testimony given recently by Chairman Martin before a Subcommittee of the Senate Committee on the Judiciary.

In response to a question, Mr. Vest said that the proposed statement was in line with the testimony given by Chairman Martin before the Senate Judiciary Subcommittee, with some minor changes in emphasis in view of the fact that the hearing tomorrow would be directly concerned with S. 3911 whereas the Judiciary Subcommittee was concerned primarily with certain other bank merger bills which had been introduced.

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In a discussion of the matter, minor changes in the draft of testimony were suggested by members of the Board. In addition, consideration was given to various questions which might be raised at the hearing and responses which would accurately reflect the Board's position.

At the conclusion of the discussion, the draft of testimony was approved unanimously in a form which would take into account the changes agreed upon at this meeting.

The meeting then adjourned.

Secretary's Note: Governor Balderston today approved, on behalf of the Board, memoranda from appropriate individuals concerned recommending that the basic annual salaries of the following employees be increased as indicated, effective June 17, 1956:

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Office of the Secretary</u>			
Zoe Gratsias, Secretary		\$3,670	\$3,805
Hannah W. Nielsen, Senior Records Clerk		3,840	3,940
<u>Research and Statistics</u>			
Philip T. Allen, Economist		8,645	8,990
Theodore G. Flechsig, Economist		5,440	5,575
Wilellyn Morelle, Economist		5,710	5,845
Mary F. Weaver, Clerk		4,755	4,890

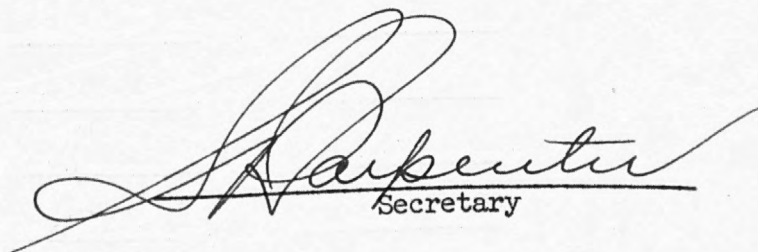
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Salary increases, effective June 17, 1956 (continued)

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Bank Operations</u>			
Rita D. Brinley, Clerk-Stenographer		\$3,430	\$3,585
John C. Franzoni, Technical Assistant		7,465	7,680
Barbara Wrenn, Statistical Clerk		3,345	3,500
<u>Administrative Services</u>			
Fletcher E. Brown, Messenger		3,285	3,370
Shirley S. Corbin, Elevator Operator		2,750	2,825
Donald W. Moon, Purchasing Assistant		4,930	5,065
Margaret E. Royce, Clerk		3,415	3,500

Governor Balderston also approved today on behalf of the Board the recommendation contained in a memorandum from the Division of Personnel Administration dated June 6, 1956, that the salary rate for substitute nurses in that Division be increased from \$15 per day to \$16 per day, effective June 11, 1956.


Secretary