Minutes for June 25, 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.

Chm. Martin  x
Gov. Szymczak  x
Gov. Vardaman  x
Gov. Mills  x
Gov. Robertson
Gov. Balderston  x
Gov. Shepardson  x

A B
Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, June 25, 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. 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. Molony, Special Assistant to the Board

Messrs. Young, Noyes, Garfield, Williams, Brill, Eckert, Jones, Miller, Weiner, Trueblood, Wernick, and Wood of the Division of Research and Statistics

The representatives of the Division of Research and Statistics presented a review of business and financial developments, at the conclusion of which all of the members of that Division except Messrs. Young and Noyes withdrew from the meeting. Messrs. Thurston, Thomas, and Molony also withdrew at this point and Mr. Leonard, Director, Division of Bank Operations, entered the room.

There had been sent to the members of the Board copies of a memorandum from Mr. Young dated June 18, 1956, concerning a proposal of the Social Science Research Council, 726 Jackson Place, Washington, D. C.,
that the Board offer facilities for a research training institute of
from six to eight weeks during the summer of 1957. As explained in
the memorandum and an attached letter dated June 12, 1956, from Mr.
Elbridge Sibley, Executive Associate of the Council, to Mr. Young,
this would be one of a series of training institutes sponsored by the
Council under a grant of funds from the Ford Foundation. Application
for participation would be on a competitive basis, the basic require-
ment being that the applicant have a doctorate degree, or the equiva-
ient in experience. The Council would provide stipends to participants
ranging from $600 to $900 and would also pay traveling expenses. As
to content, it was suggested that the institute be directed to "research
methods and approaches that the Board's staff has found useful in deal-
ing with matters underlying policy determination." The instructional
requirements of the institute, according to the memorandum, presumably
would be met by the Board's staff, although it might be desirable to
supplement the staff by persons from the Federal Reserve Banks or by
former members of the Board's staff now employed elsewhere.

In commenting on the proposal, Mr. Young said it was rather
flattering that the Council's Committee on Research Training should con-
sider the Board as a center for one of the institutes, that the advan-
tages to the Board would include contact with promising research personnel
and good public relations with the academic fraternity, but that a
substantial burden on the staff would be involved. In the circum-
stances, he said, it was decided to present the matter to the Board
for its views before making any study of detailed arrangements and es-
timated expenses.

Continuing the discussion, Chairman Martin read the following
views which had been stated by Governor Robertson before he left on
vacation:

I think everything like this is valuable but we have
to weigh it against the value we get out of it and the cost
and effort you put into it. The Board can't spread its
staff so thin that it can't do its work. If this is done
in connection with the Social Science Research Council,
what does the Board say if other organizations request simi-
lar arrangements. The staff will have to decide whether it
can take on this additional load. In all the circumstances,
I doubt whether it is worth while. If I were in charge of
personnel I would not do it in six or eight weeks but would
bring in a half dozen economists for one or two weeks, would
pay all their expenses, and give them the works with respect
to System policy. I question the desirability of doing a
thing of this kind in collaboration with any other organiza-
tion and feel that it would raise fewer questions if the
Board did anything like this by itself.

Governor Wardaman said that he concurred in the views expressed
by Governor Robertson and felt that the objections raised were sound.
He commented particularly on the time that would have to be devoted to
the undertaking by the Board's staff and also expressed doubt concerning
the advisability of becoming associated with a project sponsored by an
outside group using funds from a private foundation.
Following a further statement by Mr. Young regarding the standing and history of the Social Science Research Council, Governor Mills said that he could see no strong objection to the proposal if the staff wanted to undertake the project. After noting the responsibility of the staff for original research in areas pertinent to the Board's functions, he said that if the staff could expand its understanding in those areas through an activity of this sort, benefit would be derived from the program. While he had no great enthusiasm for the proposal, he did not feel in a position to judge whether such an undertaking would be worth while.

Chairman Martin suggested that whenever organizations such as the Social Science Research Council approach the Board voluntarily and offer cooperation in projects of this kind, an opportunity is presented which should have consideration from the standpoint of whether the advantages outweigh the burden involved. He did not believe that the possibility of a large number of organizations submitting similar proposals need cause too much concern, and he felt that the Board should use every opportunity, for the benefit of the System, to "get the right answers" in its fields of interest.

Governors Shepardson and Balderston stressed the opportunity that would be afforded to contact promising research personnel for staff
recruitment purposes. The latter also referred to the advantage of having the members of the institute return to their places of employment with a better foundation on which to carry forward independent research work in the area of monetary and credit problems. For these reasons, he felt that acceptance of the proposal was important enough to warrant, if necessary, the leasing of outside quarters for the institute or the retention of some qualified person or persons to help conduct the course.

After Governor Szymczak indicated that he also favored accepting the proposal, Chairman Martin said that from the expressions made by the majority of the Board the main problem seemed to be whether the Board's staff would be in a position to spend the necessary amount of time on the institute while carrying out the functions normally required.

In response to the Chairman's question on this point, Mr. Young expressed the opinion that the indicated requirements of the institute could be handled by the staff, assuming that no unforeseen studies of great magnitude were requested in the meantime. This would be with the understanding that there would be no objection to seeking personnel assistance from the Federal Reserve Banks to help conduct the institute.

In response to a further question, he said that the potential benefits to the Board and the System, although quite intangible, appeared to be
so substantial that in his judgment it would be a mistake not to un-
dertake the program.

Following further discussion, it was agreed, Governor Vardaman dis-
senting, that the Board’s staff should proceed to explore the matter with a
view to presenting a more detailed analysis of time, cost, space, and
other requirements.

Messrs. Riefler, Young, and Noyes then withdrew from the meeting.

Consideration was given to a memorandum from Mr. Leonard dated
June 15, 1956, which had been circulated to the members of the Board,
regarding a proposal by the Federal Reserve Bank of Atlanta to ship $5
million each of $50 Federal Reserve notes of other Reserve Banks from
Jacksonville to Cleveland and Pittsburgh by armored car. In the memo-
randum Mr. Leonard summarized telephone conversations with President
Bryan and First Vice President Clark of the Atlanta Bank, who emphasized
the saving that could be achieved by armored car shipment as against
registered mail and the fact that the shipment would be covered by insur-
ance carried by the armored car company. Mr. Leonard reported having
brought out that the Board’s letter of March 21, 1956, approving a pre-
vious shipment, indicated that such approval was not to be considered
a precedent. In the circumstances, he discussed the matter with Governor
Robertson and then suggested to Messrs. Bryan and Clark that the pro-
posed shipment be made by registered mail. An official letter from the
Board was requested and Mr. Bryan also stated that he expected to raise
the matter at an appropriate time, either directly with the Board or
through the Presidents' Conference. With the memorandum there was sub-
mitted a draft of letter to Mr. Bryan which would request that until
further advice any interdistrict shipments of Federal Reserve notes be
made by registered mail.

In commenting on the subject, Mr. Leonard referred to the in-
creased use of armored car service in making currency shipments within
the Atlanta and other Reserve Districts and stated that this practice
resulted in distinct savings as well as better service through door-to-
door delivery. Moreover, he said, the Post Office was gradually cur-
tailing its service. He then recalled that about two years ago the Fed-
eral Reserve Bank of New York submitted a proposal whereby new currency
would be shipped from Washington to New York by chartered airplane and
armored car. Discussions with the Post Office Department ensued which
resulted in a substantial reduction in the surcharges on large registered
mail shipments of currency, with consequent savings to the Federal Reserve
Banks. The reduction of the surcharges, Mr. Leonard brought out, was
with the informal understanding that in the absence of materially changed
conditions shipments of large amounts of currency would continue to be
made by registered mail.

Mr. Leonard then commented on a recent conversation with a repre-
sentative of an armored car company, referred to him by President Bryan,
who stated that he intended to submit to the Treasury a proposal for the shipment of Treasury currency from Washington to various cities at a substantial saving as compared with registered mail. Figures also were presented indicating the savings that had been achieved within the Sixth Reserve District through use of armored car for intra-district currency shipments.

In conclusion, Mr. Leonard suggested that the problem of intra-district service could be distinguished policywise from the problem relating to volume shipments of currency. He felt there were both tangible and intangible factors which weighed rather heavily on the side of continuing to have interdistrict shipments made by registered mail.

Governor Vardaman then introduced a series of questions bearing upon the financial responsibility and reliability of the armored car companies. It was his thought that a tendency to rely more and more upon those companies might result in a situation where the Reserve Banks would be confronted with a demand for increased rates or perhaps, in an emergency, with inability to obtain service. He suggested, as an alternative, that the System work with the Post Office to determine whether steps could be taken to develop the efficiency of the registered mail service. Accordingly, he felt that it would be desirable to arrange discussions in which representatives of the Board, the Reserve Banks, the Treasury, and the Post Office would participate for the purpose of reviewing the present situation.
At the conclusion of the discussion, the following letter to Mr. Bryan, President of the Federal Reserve Bank of Atlanta, was approved unanimously, with the understanding that Mr. Leonard would submit a memorandum to the Board dealing with the policy questions of currency shipment referred to at this meeting and steps that might be taken looking toward their solution:

Mr. Leonard has reported the recent telephone conversations with you and Mr. Clark regarding your proposal to ship $10 million of $50 notes of other Federal Reserve Banks from your Jacksonville Branch to the Federal Reserve Bank of Cleveland by armored car, $5 million to be delivered to the head office and $5 million to the Pittsburgh Branch.

When a similar question was raised earlier in the year, the Board stated in its letter dated March 21 that no objection would be interposed to the shipment by armored car of $10 million in notes of other Federal Reserve Banks in $50 denomination from your Jacksonville Branch to the Federal Reserve Bank of Richmond. The letter added, however, that this was with the understanding that it would not be regarded as a precedent.

You have pointed out that the cost of such shipments by armored car would be less than by registered mail and that in such cases the risk of loss in shipment is covered by insurance carried by the armored car company and is not included under the Loss Sharing Agreement of the Federal Reserve Banks.

The question of costs of shipment of currency, however, should not be considered solely from the point of view of individual transactions or individual districts. The substantial reduction in surcharges made by the Post Office two years ago, which resulted in a savings to the Federal Reserve Banks of several hundred thousand dollars a year, should not be overlooked. In the discussions leading up to the reduction in surcharges, Assistant Postmaster General Robertson pointed out that the Post Office was not seeking to reduce its income,
that it was trying to lower rates in an attempt to hold volume which might be lost and to increase volume. It was agreed that if the proposed changes should become effective there could be no commitment on the part of the Reserve Banks that they would use the Post Office Department exclusively for shipments of over $1 million. It was understood at that time, however, that unless there should be a material change in circumstances in general the Federal Reserve Banks would continue to use the Post Office Department services. These discussions were reported by Governor Robertson to the Presidents’ Conference at its meeting on March 3, 1954.

The time may be appropriate to consider from the System point of view the whole question of transportation costs of currency and use of alternative forms of transportation. Until further advice, however, the Board requests that any interdistrict shipments of Federal Reserve notes be by registered mail.

Mr. Sherman then withdrew from the meeting.

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

The Board of Governors of the Federal Reserve System has considered the recommendation of the Management Committee of your Bank contained in your letter of June 15, 1956, and, pursuant to the provisions of Section 19 of the Federal Reserve Act, grants permission to Montrose National Bank of Houston, Houston, Texas, to maintain the same reserves against deposits as are required to be maintained by banks outside of central reserve and reserve cities, effective as of the date of commencement of business by the subject bank.

Please advise the bank of the Board’s action in this matter, calling its attention to the fact that such permission is subject to revocation by the Board of Governors of the Federal Reserve System.

Approved unanimously.
Letter to the Board of Directors, The Security State Bank of Sterling, Sterling, Colorado, reading as follows:

This refers to your request for permission, under applicable provisions of your condition of membership numbered 1, to exercise statutory fiduciary powers.

Following consideration of the information submitted, the Board of Governors of the Federal Reserve System grants permission to The Security State Bank of Sterling, Sterling, Colorado, to exercise the fiduciary powers authorized under the terms of its charter and the laws of the State of Colorado, limited, however, to appointments as executor, administrator, and guardian of estates. In connection with appointments as "guardian" the Board understands that by opinion of the Attorney General of Colorado, authority so to act is included in the statutory right to act as "administrator".

The Board has also been advised that your bank has accepted and is now administering an appointment as trustee under a $75,000 mortgage bond issue of the Sterling Country Club. The Board will not object to continued administration of this trust provided, however, that no further appointments of such kind are accepted without first obtaining the prior approval of the Board under applicable provisions of your condition of membership numbered one.

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

In connection with the foregoing letter to The Security State Bank of Sterling, Governor Balderston pointed out that certain inaccurate information regarding the right to act as trustee had been given to the member bank by the Colorado State banking authorities. In another recent case, he recalled, the decision of a bank in Ohio (The Holgate State Bank) to withdraw from membership in the System appeared
to have stemmed from failure of the State authorities to inform the bank correctly regarding the capital required for a member institution to establish a branch. He suggested that the Board might want to request Governor Robertson to consider bringing to the attention of the State bank supervisors in some appropriate way the thought that System requirements should be borne in mind in discussions with member banks that are contemplating various undertakings.

With reference to the discussion at the meeting on June 19, 1956, concerning foreign bankers passing through Washington at the conclusion of the International Banking Summer School, Governor Mills stated that Mr. Thomas M. Bland had accepted an invitation to visit the Board's offices for luncheon on Wednesday, July 11. The American Bankers Association, he said, also hoped that arrangements might be made for an additional six or seven prominent British bankers who would be in Washington July 24-27 and would be particularly interested in having discussions with the Board's economists.

It was agreed unanimously that the group of bankers should be invited to visit the Federal Reserve Building on Friday, July 27, and that they should be invited to have lunch with members of the staff if developments made that seem appropriate.

The meeting then adjourned.

Secretary's Note: Pursuant to recommendations contained in memoranda
from appropriate individuals concerned, Governor Balderston today approved the following items on behalf of the Board:

Appointments, effective upon the respective dates of assuming duties

<table>
<thead>
<tr>
<th>Name and title</th>
<th>Division</th>
<th>Basic annual salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gertrude H. Sklagen, Records Clerk</td>
<td>Office of the Secretary</td>
<td>$3,415</td>
</tr>
<tr>
<td>Bettie Merrill Pomeroy, Clerk-Stenographer</td>
<td>Personnel Administration</td>
<td>$3,670 1/</td>
</tr>
</tbody>
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Salary increases, effective July 1, 1956

<table>
<thead>
<tr>
<th>Name and title</th>
<th>Division</th>
<th>Basic annual salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Edna L. Kehr, Clerk-Typist</td>
<td>Research and Statistics</td>
<td>$3,175 - $3,260</td>
</tr>
<tr>
<td>Thomas F. Gearin, Economist</td>
<td>International Finance</td>
<td>4,930 - 5,065</td>
</tr>
<tr>
<td>Travis J. Johnson, Assistant Federal Reserve Examiner</td>
<td></td>
<td>6,390 - 6,605</td>
</tr>
<tr>
<td>Brenton C. Leavitt, Supervisory Review Examiner</td>
<td></td>
<td>9,420 - 9,635</td>
</tr>
<tr>
<td>W. D. Smith, Supervisory Review Examiner</td>
<td></td>
<td>11,180 - 11,395</td>
</tr>
<tr>
<td>A. N. Thompson, Supervisory Review Examiner</td>
<td></td>
<td>11,180 - 11,395</td>
</tr>
<tr>
<td>John J. Hart, Technical Assistant</td>
<td>Bank Operations</td>
<td>7,570 - 7,785</td>
</tr>
</tbody>
</table>

1/ Pursuant to the program for recruitment of stenographic and typing personnel approved by the Board on April 24, 1956.
6/25/56

Salary increases, effective July 1, 1956 (continued)

<table>
<thead>
<tr>
<th>Name and title</th>
<th>Division</th>
<th>Basic annual salary</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Administrative Services</td>
<td></td>
</tr>
<tr>
<td>Mary A. Weikel, Telephone Operator</td>
<td>$3,600 $3,685</td>
<td></td>
</tr>
<tr>
<td>Hiram J. Roush, Guard</td>
<td>3,385  3,470</td>
<td></td>
</tr>
<tr>
<td>Ruth M. Flowers, Charwoman</td>
<td>2,825  2,900</td>
<td></td>
</tr>
</tbody>
</table>

Acceptance of resignation

Valeria J. Humburg, Records Clerk in the Office of the Secretary, effective June 29, 1956.

[Signature]

Secretary