

Minutes for September 7, 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>mm</u> | _____ |
| Gov. Szymczak | x <u>mm</u> | _____ |
| Gov. Vardaman | x <u>mm</u> | _____ |
| Gov. Mills | _____ | x <u>mm</u> |
| Gov. Robertson | x <u>R</u> | _____ |
| Gov. Balderston | _____ | x <u>ccrb</u> |
| Gov. Shepardson | x <u>mm</u> | _____ |

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, September 7, 1956. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Szymczak
Mr. Vardaman
Mr. Robertson
Mr. Shepardson

Mr. Sherman, Assistant Secretary
Mr. Kenyon, Assistant Secretary

Reference was made to a memorandum dated August 30, 1956, from Mr. Marget, Director, Division of International Finance, which had been circulated to the members of the Board, reporting receipt of an invitation to appear before the Subcommittee on Customs, Tariffs, and Reciprocal Trade Agreements of the House Committee on Ways and Means on September 18, 1956, to discuss the mechanism of the balance of payments. A letter dated August 24, 1956, from the Clerk of the Committee on Ways and Means stated that the Subcommittee's study would be directed to practical questions involved in international trade from the standpoint of the United States economy with a view to evaluating existing law and procedures and developing a practical background against which proposals for changes in such existing law and procedures might be evaluated.

Mr. Marget was authorized to accept the invitation.

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

| | |
|---------------|-------------|
| Atlanta | September 4 |
| St. Louis | September 4 |
| San Francisco | September 5 |
| New York | September 6 |
| Philadelphia | September 6 |
| Cleveland | September 6 |
| Richmond | September 6 |
| Chicago | September 6 |
| Minneapolis | September 6 |
| Dallas | September 6 |

Approved unanimously.

Chairman Martin reported receipt of a letter dated August 28, 1956, from Representative Patman, Chairman of the Subcommittee on Economic Stabilization of the Joint Economic Committee, recalling that in December 1954 the Subcommittee held a brief hearing on recent and current experience with monetary policy at which the Reserve Bank Presidents and the members of the Board met with the Subcommittee and stating that the Subcommittee proposed to arrange a similar meeting in December of this year on a mutually convenient date.

It was understood that Chairman Martin would make an appropriate acknowledgment of Representative Patman's letter.

Chairman Martin reported having received invitations to speak "off the record" at forthcoming meetings of a national organization of

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sales executives and a group of housing executives. The first of these meetings was to be held in about a week and the second later this month. He said that in the alternative each group would be pleased to have Mr. Riefler, Assistant to the Chairman, speak on housing problems and the money market, and that he had in mind handling the invitations on that basis.

Agreement was expressed that it would be appropriate for Mr. Riefler to address the groups referred to by Chairman Martin.

In line with responsibilities vested in it by Defense Mobilization Order I-20, the Board appointed an Advisory Committee on Commercial Bank Preparedness consisting of six leading commercial bankers and a representative of the American Bankers Association to formulate a program designed to assure the continuity of the commercial banking system in the event of a national emergency. This committee subsequently appointed a Banking Committee on Emergency Operations consisting of seven commercial bankers and a representative of the American Bankers Association to draw up a specific program which might be presented to the banks of the country.

Governor Robertson stated that at the initial meeting of the Banking Committee on Emergency Operations, being held currently at the Federal Reserve Building, a question was raised regarding the handling of expenses incurred by members of that Committee. He said that he expressed to the Committee the thought that all of the expenses of the

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commercial bank defense planning program should be borne by the commercial banking system, including the cost of the manual which it was planned to prepare and distribute. Therefore, he had suggested to the Committee that it explore ways and means by which such expenses might be defrayed, but he also expressed the further view that if no other way could be found the Federal Reserve would pay the expenses of the committees in view of the importance and urgency of the preparedness program.

Following a discussion, unanimous agreement was expressed with Governor Robertson's view that if necessary the committees' expenses should be paid by the Federal Reserve System.

During the foregoing discussion Mr. Johnson, Controller, and Director, Division of Personnel Administration, entered the room.

With further reference to the commercial bank preparedness program, Governor Robertson stated that it seemed advisable to provide security clearance for Messrs. John J. McCloy, Chairman of the Advisory Committee on Commercial Bank Preparedness, Theodore G. Kane, assistant to Mr. McCloy, G. Edward Cooper, Chairman of the Banking Committee on Emergency Operations, and Melvin C. Miller, Secretary of that Committee. He said that a security file prepared on Mr. McCloy in connection with his service in another capacity had been reviewed in the customary way, and that on that basis he would recommend that Mr. McCloy be given security clearance.

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He further recommended that emergency administrative security clearance be granted to Messrs. Cooper, Kane, and Miller, with the understanding that if a security file reported to have been prepared on Mr. Miller in connection with his service in another capacity could be made available for review in the customary way and was found to be satisfactory, it would not be necessary to institute a full field investigation in his case.

Governor Robertson's recommendations were approved unanimously.

Reference was made to a memorandum dated August 30, 1956, from Mr. Hackley, Assistant General Counsel, copies of which had been sent to the members of the Board, with which Mr. Hackley submitted proposed replies to (1) a letter from the Commerce Union Bank of Nashville, Tennessee, suggesting an increase in the maximum permissible interest rate on savings deposits, and (2) a letter from the Federal Reserve Bank of New York enclosing letters from The First National City Bank of New York and The Chase Manhattan Bank again suggesting increases in the maximum rates of interest payable on time deposits. The letter from the New York Reserve Bank stated that the revised suggestions of The Chase Manhattan Bank were being studied and that the Board would be informed of the Reserve Bank's views as promptly as possible.

It was stated that in addition a letter had been received by the Board from Irving Trust Company of New York requesting an increase

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in the maximum permissible rates of interest on deposits, particularly in rates applicable to time deposits.

The suggestion was made that the proposed acknowledgment of the letter from the Commerce Union Bank, which would state that the whole problem of interest rates on deposits was being actively studied by the Board, be sent and that the letter from Irving Trust Company be acknowledged in a similar manner.

There was unanimous agreement with this suggestion.

In this connection, attention was drawn to the fact that the requests of The First National City Bank and The Chase Manhattan Bank had received publicity in the press and it was agreed that the subject of the maximum interest rates on deposits would be discussed further by the Board on Monday, September 17, preliminary to the meeting of the Board and the Federal Advisory Council on the following day. It was suggested that Chairman Martin might inquire of Mr. Hayes, President of the Federal Reserve Bank of New York, whether it would be possible for the Bank to have its views on the proposal of The Chase Manhattan Bank in the hands of the Board in time for consideration during the discussion on September 17.

The meeting then adjourned.

Secretary's Note: Governor Shepardson today approved the following items on behalf of the Board:

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Memorandum dated September 4, 1956, from Mr. Sloan, Director, Division of Examinations, recommending the appointment of George Halvor Bockman as Assistant Federal Reserve Examiner in that Division, with basic salary at the rate of \$5,980 per annum, effective as of the date he assumes his duties.

Memoranda from appropriate individuals concerned recommending that the basic annual salaries of the following employees be increased in the amounts indicated, effective September 9, 1956:

| <u>Name and title</u> | <u>Division</u> | <u>Basic annual salary</u> | |
|---|---------------------------------|----------------------------|-------------------|
| | | <u>From</u> | <u>To</u> |
| | <u>Examinations</u> | | |
| Karl P. Wendt, Federal Reserve Examiner | | \$6,820 | \$7,570 <u>1/</u> |
| Travis J. Johnson, Assistant Federal Reserve Examiner | | 6,605 | 6,820 <u>2/</u> |
| John P. Donovan, Assistant Federal Reserve Examiner | | 5,065 | 5,440 |
| | <u>International Finance</u> | | |
| Reed J. Irvine, Economist | | 6,605 | 7,570 |
| | <u>Personnel Administration</u> | | |
| Harry B. Stone, Personnel Technician | | 6,250 | 6,390 <u>3/</u> |

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

In accordance with the request contained in your letter of August 31, 1956, the Board approves the appointments of Joseph A. Clark, Beryl A. Lehman, and William W. Wahl as assistant examiners for the Federal Reserve Bank of New

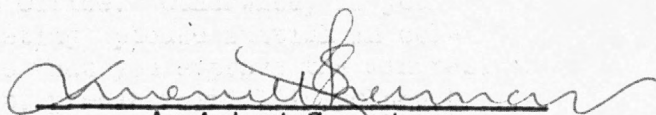
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- 1/ With change in title to Senior Federal Reserve Examiner.
 - 2/ With change in title to Federal Reserve Examiner.
 - 3/ With change in title to Personnel Assistant.

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York. Please advise as to the salary rates and effective dates of these appointments.

The Board also approves the designation of Eugene C. Kranik as a special assistant examiner for the Federal Reserve Bank of New York.


Assistant Secretary