

Minutes for January 7, 1957

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	<u>x</u> <i>MM</i>	_____
Gov. Szymczak	<u>x</u> <i>MM</i>	_____
<u>1/</u> Gov. Vardaman	_____	<u>x</u>
Gov. Mills	<u>x</u> _____	_____
Gov. Robertson	<u>x</u> <i>R</i>	_____
Gov. Balderston	<u>x</u> <i>BB</i>	_____
Gov. Shepardson	<u>x</u> <i>SS</i>	_____

1/ The attached set of minutes was sent to Governor Vardaman's office in accordance with the procedure approved at the meeting of the Board on November 29, 1955. The set was returned by Governor Vardaman's office with the statement (see Mr. Kenyon's memorandum of February 12, 1957) that hereafter Governor Vardaman would not initial any minutes of meetings of the Board at which he was not present. Therefore, with Governor Shepardson's approval, these minutes are being filed without Governor Vardaman's initial.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, January 7, 1957. The Board met in the Board Room at 10:00 a.m.

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

Mr. Carpenter, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Riefler, Assistant to the Chairman
Mr. Thomas, Economic Adviser to the Board

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

Messrs. Marget, Bangs, Furth, Katz, Sammons,
Wood, Reynolds, and Westebbe of the
Division of International Finance

The representatives of the Division of International Finance presented a review of international economic and financial developments following which the members of the Research Division reviewed the domestic business and financial situation.

The members of these two Divisions then withdrew from the meeting along with Messrs. Riefler and Thomas and the following members of the staff entered the room: Messrs. Vest, General Counsel; Sloan, Director, Division of Examinations; Johnson, Controller and Director, Division of Personnel Administration; Horbett, Associate Director,

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Division of Bank Operations; Hackley, Associate General Counsel; Solomon, Assistant General Counsel; and Masters, Associate Director, Division of Examinations.

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. Dawes, Vice President and Secretary, Federal Reserve Bank of Chicago, reading as follows:

The Board of Governors approves the payment of salaries to the following officers of the Federal Reserve Bank of Chicago effective today for the period ending December 31, 1957, at the rates indicated, which are the rates fixed by the Board of Directors as reported in your letter of December 27, 1956.

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
Wm. C. Gallagher	Assistant Counsel	\$ 9,700
Victor A. Hansen	Assistant Cashier	8,000
Robert E. Sorg	Assistant Cashier	10,500
Robert C. Holland	Assistant Vice President	12,500

Approved unanimously.

Memoranda dated December 31, 1956, from Mr. Johnson, Controller, submitting, with a recommendation for approval, requests from the following Divisions for estimated 1956 budget overexpenditures:

<u>Division</u>	<u>Account Classification</u>	<u>Excess</u>	
		<u>Amount</u>	<u>Per Cent</u>
Offices of Members of the Board	Salaries	\$15,600	14
	Traveling Expenses	4,500	45
	Printing and Binding	175	10
	Stationery and Supplies	100	10
	Furniture and Equipment	108	17

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Division	Account Classification	Excess	
		Amount	Per Cent
Legal	Salaries	\$ 7,615	5
	Traveling Expenses	4,400	440
	Telephone and Telegraph	400	24
	Printing and Binding	90	13
	Stationery and Supplies	100	13
	All Other	210	420
Research and Statistics:			
Regular Budget	Traveling Expenses	4,350	46
	Telephone and Telegraph	1,300	15
	Rentals	160	No budget
	All Other	31,795	17
Special Projects:			
Savings Statistics	Telephone and Telegraph	13	No budget
	Printing and Binding	8	No budget
Evaluation of Consumer Finances Survey	Telephone and Telegraph	2	No budget
	Printing and Binding	16	No budget
Consumer Installation Credit Study	Grand Total	321,097	No budget
Personnel Administration	Salaries	7,375	8
	Medical Service and Supplies	225	15
	Stationery and Supplies	250	31
Administrative Services	Stationery and Supplies	1,300	8
	Furniture and Equipment	8,503	1,012
	Rentals	519	2
	Heat, Light, and Power	2,827	7
	Repairs and Alterations (Building and Grounds)	11,076	75
	All Other	4,146	8
	Secretary	Telephone and Telegraph	130
Repairs and Maintenance (Furniture and Equipment)		25	9
All Other		240	160

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Division	Account Classification	Excess	
		Amount	Per Cent
Examinations	Salaries	\$13,349	26
	Traveling Expenses	6,853	3
	Telephone and Telegraph	480	18
	Rentals	224	66
Defense Loans	Salaries	200	1
Emergency Re- location	Salaries	425	No budget
	Telephone and Telegraph	801	263
	Printing and Binding	43	No budget
	Stationery and Supplies	18	18
Employee Retirement and Insurance Benefits	Retirement Contributions	5,000	2

Approved unanimously.

Letter to the Board of Directors, California Bank, Los Angeles, California, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of San Francisco, the Board of Governors approves the establishment of a branch at 665 West Lancaster Boulevard in the unincorporated town of Lancaster, Los Angeles County, California, by California Bank, provided the proposed merger with the Antelope Valley Bank, Lancaster, California, is effected substantially in accordance with the plan of merger dated December 10, 1956, and the branch is established within six months from the date of this letter.

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

Reference was made to a memorandum from Governor Shepardson dated January 3, 1957, copies of which had been sent to the other members of the Board, setting forth the number and categories of official guests served in the Board's dining rooms during the period January 1 to

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September 30, 1956. The memorandum indicated that a total of 1,872 guests had been served at a cost of \$2,866.40, and stated that these expenditures involved a modest amount and appeared to be justified. It was recommended that there be no change in current policy with regard to this subject.

Governor Shepardson stated that in view of a question raised at a recent Board meeting the Controller's Office, at his request, compiled information, as summarized in the memorandum, on meals served to official guests. He expressed the view that the amount spent was modest, both on a per meal basis and from the standpoint of total expenditure, and that the policy followed was in accord with good public relations. Therefore, he saw no reason to make any change in the current policy.

Following a discussion of the subject, Chairman Martin suggested that Governor Shepardson's recommendation be approved.

There was unanimous agreement with this suggestion.

Mr. Johnson then withdrew from the meeting.

The following letter to Mr. Diercks, Vice President of the Federal Reserve Bank of Chicago, of which copies had been sent to the members of the Board, was presented for consideration:

The Board of Governors of the Federal Reserve System has considered the recommendation of the Board of Directors of your Bank contained in your letter of December 31, 1956, and, pursuant to the provisions of Section 19 of the Federal Reserve Act, grants permission to the City National Bank of Cedar Rapids, Cedar Rapids, Iowa, to maintain the same reserves against deposits as are required to be maintained by

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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.

At the request of Governor Mills, Mr. Horbett reported on a telephone conversation with President Bryan of the Federal Reserve Bank of Atlanta concerning the proposed designation of Miami, Florida, as a reserve city, effective March 1, 1957, in accordance with the current formula for the triennial designation of reserve cities, and as set forth in the Board's letter of December 18, 1956, to all of the Federal Reserve Banks. He said that although Mr. Bryan was not protesting the rule, he had not yet contacted the Miami member banks, was mindful of certain problems that might develop, and desired an opportunity to discuss the matter with members of the Board following the meeting of the Federal Open Market Committee tomorrow. Mr. Horbett said Mr. Bryan inquired whether consideration had been given to including Miami Beach, to which he replied that for reserve city designation a separate municipality such as Miami Beach must meet by itself the standards provided in the Board's formula.

Governor Mills commented that any change in the current formula would be apt to work injustices one way or another. In the event of a protest by the Miami banks, he suggested that perhaps the date for reclassification could be delayed to allow the banks to adjust to the new reserve requirements.

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Mr. Horbett commented that one possibility would be to waive penalties for reserve deficiencies for a certain period. In response to a question by Governor Robertson as to whether the Board could not defer the date of designation, he said the Board's rule provides that March 1 shall be the effective date of all reserve city designations and terminations. If action was not taken or was postponed from March 1, he felt that banks in cities previously designated as reserve cities under the formula, might protest. He also felt that banks in cities scheduled for termination as reserve cities effective March 1, 1957, might protest if the action was not taken.

Mr. Vest said that the designation of Miami as a reserve city would require affirmative action by the Board but that the current rule states definitely that the Board will act every three years in accordance with the prescribed formula.

Mr. Horbett commented that, as he read the rule, Miami would have to be designated as a reserve city effective March 1 unless the Board changed the rule.

At the conclusion of the discussion, it was understood that members of the Board would be available tomorrow for discussion of the matter with President Bryan.

Mr. Horbett then withdrew from the meeting.

Pursuant to the understanding at the meeting on January 4, 1957, there had been sent to the members of the Board copies of a draft of

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letter to the Bureau of the Budget with regard to a draft bill "To establish a National Monetary and Financial Commission".

In a discussion certain changes in the language of the letter were proposed by Governors Balderston and Robertson. Governor Mills stated that although it would be his personal preference to go no further than simply to express concurrence in the purposes of the bill, he saw no real objection to a letter of the type proposed to be sent pursuant to the suggestions made at this meeting.

Thereupon, it was agreed unanimously that the letter would be redrafted in accordance with the suggestions agreed upon at this meeting, that it would be sent when in a form approved by Governor Balderston, and that copies of the letter and the draft bill would be sent to the Presidents of the Federal Reserve Banks for their information.

Secretary's Note: Pursuant to this action, the following letter was sent to Mr. Roger W. Jones, Assistant Director, Legislative Reference, Bureau of the Budget, on January 7, 1957:

This letter is in response to your request of January 3, 1957 for the view of the Board of Governors with respect to a draft bill "To establish a national monetary and financial commission."

The Board of Governors concurs in the stated objectives of the bill. While the language of section 3(d) of the bill may be broad enough to achieve the desired objectives, consideration might be given to including a reference to the relative powers, advantages, privileges, and limitations of the various classes of financial institutions with a view to making it entirely clear that all aspects of their comparative

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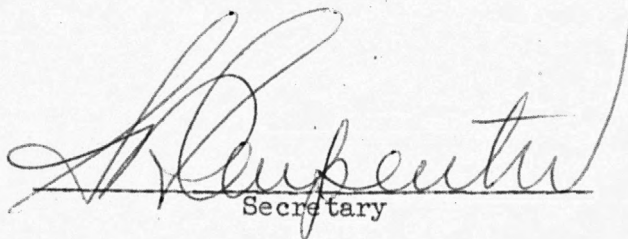
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positions are to be reviewed. The Board expresses no view with respect to the composition of the proposed national monetary and financial commission.

Governor Robertson stated that certain Board and Federal Reserve Bank representatives were meeting at the Federal Reserve Building currently to consider the emergency planning program and that he felt it would be desirable for the members of this group to meet with the Board before they dispersed to explain the results of their work.

It was agreed that such a meeting would be arranged.

The meeting then adjourned.


Secretary