

Minutes for February 1, 1957

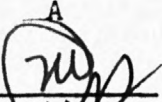
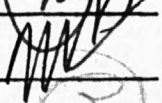
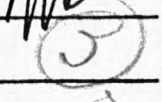
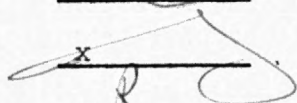
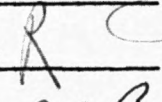
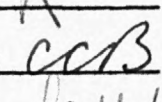
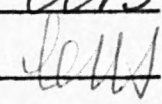
To: Members of the Board

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> 	_____
Gov. Szymczak	<u>x</u> 	_____
Gov. Vardaman	<u>x</u> 	_____
Gov. Mills	<u>x</u> 	_____
Gov. Robertson	<u>x</u> 	_____
Gov. Balderston	<u>x</u> 	_____
Gov. Shepardson	<u>x</u> 	_____

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, February 1, 1957. 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 1/  
 Mr. Robertson  
 Mr. Shepardson

Mr. Carpenter, Secretary  
 Mr. Sherman, Assistant Secretary  
 Mr. Kenyon, Assistant Secretary  
 Mr. Fauver, Assistant Secretary  
 Mr. Thurston, Assistant to the Board  
 Mr. Young, Director, Division of Research  
 and Statistics  
 Mr. Hackley, Associate General Counsel  
 Mr. Molony, Special Assistant to the Board

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. Hall, Chairman, Federal Reserve Bank of Kansas City, reading as follows:

The Board of Governors approves the payment of salaries to the following officers of the Federal Reserve Bank of Kansas City for the period January 10, 1957 through December 31, 1957, at the rates indicated which are the rates fixed by the Board of Directors as reported in your letter of January 11, 1957.

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
J. T. White	Assistant Vice President	\$10,500
Robert E. Thomas	Assistant Cashier	8,750

Approved unanimously.

1/ Entered meeting at point indicated in minutes.

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Letter to Mr. Mangels, President, Federal Reserve Bank of San Francisco, reading as follows:

The Board of Governors approves the payment of salary to Mr. John A. O'Kane as Vice President and General Counsel at the Federal Reserve Bank of San Francisco for the period January 9 through December 31, 1957, at the rate of \$16,000 per annum, which is the rate fixed by the Board of Directors as set forth in your letter of January 9, 1957.

Approved unanimously.

Letter to the Board of Directors, Manufacturers Trust Company, New York, New York, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors of the Federal Reserve System approves the establishment by Manufacturers Trust Company, New York, New York, of a branch at 55-59 Broad Street, New York, New York, following the transfer of its principal office from that address to 44 Wall Street, New York, New York, provided the branch is established within one year from the date of this letter and the approval of State authorities is in effect at the time it is established.

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

Letter to the Board of Directors, Lincoln Rochester Trust Company, Rochester, New York, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors of the Federal Reserve System approves the establishment of a branch by the Lincoln Rochester Trust Company in the Newark Plaza at the corner of West Miller and Finch Streets in the Village of Newark, Wayne County, New York, provided the branch is established within one year from the date of this letter, and approval of the State authorities is effective as of the date the branch is established.

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

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

In view of the information submitted in your letter of January 18, 1957, and the Reserve Bank's favorable recommendation, the Board of Governors extends until September 2, 1957, the time within which The Cleveland Trust Company, Cleveland, Ohio, may establish a branch at the northwest corner of Warrensville Center and Farnsleigh Roads, Shaker Heights, Ohio, under the authorization contained in its letter of April 24, 1956.

In view of the information submitted in your letter of January 18, 1957, and the Reserve Bank's favorable recommendation, the Board of Governors extends until May 28, 1957, the time within which The Central Trust Company, Cincinnati, Ohio, may establish a branch in the Brentwood Plaza Shopping Center at the corner of Hempstead Drive and Winton Road, Brentwood Village, Hamilton County, Ohio, under the authorization contained in its letter of January 23, 1956.

Approved unanimously.

Letter to Mr. Armistead, Vice President, Federal Reserve Bank of Richmond, reading as follows:

In view of the information submitted in your letter of January 21, 1957, and the Reserve Bank's favorable recommendation, the Board of Governors extends until February 3, 1958, the time within which Wachovia Bank and Trust Company, Winston-Salem, North Carolina, may establish a branch at the corner of Greene and West Sycamore Streets, Greensboro, North Carolina, under the authorization contained in its letter of February 3, 1956.

Approved unanimously.

Letter to the Comptroller of the Currency, Treasury Department, Washington, D. C., reading as follows:

Reference is made to a letter from your office dated January 8, 1957, enclosing photostatic copies of an



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application of the Union Trust and Deposit Company, Parkersburg, West Virginia, to convert into a national banking association and requesting a recommendation as to whether or not the application should be approved.

Information in the files of the Board of Governors and that supplied by the Federal Reserve Bank of Richmond is favorable with respect to the bank's financial history, adequacy of capital structure, earnings prospects, character of management, and services to the community. Therefore, the Board of Governors recommends approval of the application to convert into a national banking association.

The Board's Division of Examinations will be glad to discuss any aspects of this case with representatives of your office if you so desire.

Approved unanimously.

Letter for the signature of Chairman Martin to The Honorable Oren Harris, Chairman, House Committee on Interstate and Foreign Commerce, reading as follows:

This refers to your letter of January 17, 1957, requesting a report on the bill H.R. 810. As its title indicates, the bill would amend the Securities Exchange Act of 1934 to require officers and directors of any issuer of registered securities to periodically report the extent to which, and the purposes for which, their holdings of such securities are pledged, hypothecated, or loaned.

The bill would not directly affect the monetary or supervisory responsibilities of the Federal Reserve System and the Board has no comments to make concerning its provisions.

Approved unanimously.

There had been sent to the members of the Board copies of a telegram dated January 31, 1957, from Mr. Swan, First Vice President of the Federal Reserve Bank of San Francisco, regarding service by Mr. Leonard K. Firestone as a director of the Los Angeles Branch while serving also

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as a member of the City Council of Beverly Hills, California. The telegram stated that the Council was the legislative body for the municipality, that Mr. Firestone was appointed to fill a vacancy and subsequently was elected for a term ending April 1, 1958, and that the position, although elective, was nonpartisan and nonsalaried. The telegram also stated that while Mr. Firestone would like to serve out his term on the Council, he would be willing to resign as Councilman as soon as the Council could decide on his successor in the event the Board should conclude that such service was not compatible with service as a director of the Los Angeles Branch.

Mr. Carpenter said that the situation had come to light as the result of the Board's telegram to Mr. Firestone tendering him appointment as a branch director and that in a telephone conversation Mr. Swan, when asked whether he would consider the post on the Council a political position, at least from the local standpoint, replied that he thought it might be so regarded.

Mr. Hackley referred to the language of the Board's resolution of December 23, 1915, with respect to the holding of public or political office by Federal Reserve Bank or branch directors and said that the position held by Mr. Firestone on the City Council was clearly a public office. Furthermore, the position was elective, even though the elections might be largely a matter of form. While something might be said for the fact that the position was nonpartisan, it seemed quite likely that service on

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the legislative body of a municipality would be regarded by the general public as the holding of a political office. The alternatives, Mr. Hackley said, would be (1) to raise no objection; (2) to permit Mr. Firestone to serve out his current term on the Council; or (3) to request that he resign from the Council, either upon his accepting appointment as a Los Angeles Branch director or upon the appointment of his successor as Councilman. In conclusion, he brought out that the question was one of Board policy rather than a legal question.

Chairman Martin expressed the opinion that as a general policy the Board should not make exceptions to the 1915 resolution when elective offices were concerned.

Governor Vardaman expressed agreement in principle with the Chairman's position but asked whether the Board had not made an exception in at least one such case recently.

In response, Mr. Hackley stated that he knew of no case for a number of years in which the Board has made an exception to its general rule, as set forth in the 1915 resolution, where an elective office was concerned.

At the conclusion of the discussion, it was agreed unanimously to advise the Federal Reserve Bank of San Francisco informally that inasmuch as the Board felt that the position of Councilman might be regarded as a position involving local politics, it would be preferable if Mr. Firestone, in the event he desired to accept appointment as a

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director of the Los Angeles Branch, would resign as Councilman as soon as the Council had appointed his successor, which it was assumed would be within a reasonably short time.

Messrs. Fauver and Hackley withdrew from the meeting at this point and Messrs. Riefler, Assistant to the Chairman, Thomas, Economic Adviser to the Board, Eckert, Chief, Banking Section, Division of Research and Statistics, and Brill, Chief, Business Finance and Capital Markets Section in the same Division, entered the room.

Consideration was given to a draft of letter to Mr. H. V. Prochnow, Secretary of the Federal Advisory Council, which had been circulated to the members of the Board, proposing topics for discussion at the forthcoming meeting of the Council and the joint meeting of the Board and the Council on February 19, 1957.

Agreement having been expressed with an addition suggested by Governor Balderston with respect to one of the topics, unanimous approval was given to a letter to Mr. Prochnow reading as follows:

The Board would like to propose the following topics for discussion by the Federal Advisory Council and at the joint meeting of the Council and the Board, to be held on February 19, 1957:

1. What are the views of the Council with respect to the business situation during the period from now until mid-1957? Among specific industries, the Board would like to have the Council's judgment as to the prospective demand for new model automobiles during this period, as well as for used automobiles. Are



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further increases in prices of finished products expected? Is there any indication of a change in the supply-demand relationships that would call for a relaxation of credit restraints?

2. Do you know of revisions in business plans for plant and equipment expenditures in 1957? Are there evidences of excess productive capacity?

3. What is the outlook for construction (residential, industrial and commercial, public) during the period from now until mid-1957? Do construction costs appear likely to be stable, to increase, or to decrease in the near future? Is mortgage money available in sufficient volume to support projected residential, commercial, and private construction during this period?

4. What are the probable changes in volume of bank loans during the first half of this year? Is the volume of borrowing for tax purposes in March likely to equal or exceed that of a year ago? What is the outlook for consumer credit?

5. What, if any, changes would the members of the Council suggest in the System's current credit policies between now and mid-year?

6. Do the members of the Federal Advisory Council have observations as to any features of the Bank Holding Company Act or its operation to date which they feel would be of assistance to the Board in administering its responsibilities under the law?

Pursuant to the understanding at the meeting on January 23, 1957, there had been sent to the members of the Board copies of a draft of testimony to be given by Chairman Martin before the Congressional Joint Economic Committee next Tuesday, February 5, in connection with hearings by the Committee on the President's Economic Report. Also submitted were drafts of answers to five economic questions on which the Chairman had been asked to comment.

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The draft of statement was reviewed by the Board, along with the proposed answers to the several questions, and a number of suggestions were made for editorial changes and changes in emphasis.

At the conclusion of the discussion, during which Governor Mills joined the meeting, it was understood that another draft of statement and answers to the questions, reflecting the views expressed at this meeting, would be prepared and distributed for consideration at the meeting of the Board on Monday, February 4.

The meeting then adjourned.

Secretary's Notes: Governor Shepardson today approved on behalf of the Board the recommendation contained in a memorandum dated January 28, 1957, from Mr. Young, Director, Division of Research and Statistics, that the resignation of Robert W. Johnson, Economist in that Division, be accepted effective February 1, 1957.

Governor Shepardson having indicated his approval, the following letter was sent today over the signature of Chairman Martin to Mr. Harold W. Dodds, President, Princeton University, Princeton, New Jersey:

The Board of Governors is gratified to learn from your letter of January 21, 1957, that Mr. Samuel I. Katz, a member of the Board's staff, has been provisionally recommended for a Rockefeller Public Service Award.

If this award is confirmed for Mr. Katz by the Trustees of Princeton University, the Board of Governors will be prepared to place him on a leave-without-pay basis for the period covered by such an award. It would be understood that

