

Minutes for May 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> <u>M</u>	<u> </u>
Gov. Szymczak	<u> </u>	<u>x</u> <u>MSS</u>
<u>1</u> / Gov. Vardaman	<u> </u>	<u>x</u> <u> </u>
Gov. Mills	<u>x</u> <u> </u>	<u> </u>
Gov. Robertson	<u>x</u> <u>RC</u>	<u> </u>
Gov. Balderston	<u>x</u> <u>CCB</u>	<u> </u>
Gov. Shepardson	<u>x</u> <u>Shep</u>	<u> </u>

1/ In accordance with Governor Shepardson's memorandum of March 8, 1957, these minutes are not being sent to Governor Vardaman for initial.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, May 1, 1957. The Board met in the Board Room at 10:00 a.m.

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

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Kenyon, Assistant Secretary
Mr. Hackley, General Counsel

Items circulated to the Board. The following items, which had been circulated to the members of the Board and copies of which are attached to these minutes under the respective item numbers indicated, were approved unanimously:

	<u>Item No.</u>
Memorandum from the Division of Personnel Administration regarding attendance of Board personnel at the 1958 Session of the Graduate School of Banking.	1
Letter to the Federal Reserve Bank of New York approving additional investments in bank premises by The Trust Company of New Jersey, Jersey City, New Jersey.	2
Letter to the Federal Reserve Bank of Philadelphia extending the time within which Camden Trust Company, Camden, New Jersey, may establish a branch at 9-11-15-17 Chestnut Street, Haddonfield, New Jersey.	3
Letter to Lemoyne Trust Company, Lemoyne, Pennsylvania, approving the establishment of a branch at 3025 Market Street, Borough of Camp Hill, Cumberland County, Pennsylvania. (For transmittal through the Federal Reserve Bank of Philadelphia.)	4
Letter to Peoples Union Bank and Trust Company, McKeesport, Pennsylvania, approving its application for permission to exercise statutory fiduciary powers. (For transmittal through the Federal Reserve Bank of Cleveland.)	5

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Item No.

Letter to the Federal Reserve Bank of Dallas approving an additional investment in bank premises by Texas Bank & Trust Company of Dallas, Dallas, Texas.

6

Letter to the Federal Reserve Bank of Dallas approving an additional investment in bank premises by Security State Bank and Trust Company of Beaumont, Beaumont, Texas.

7

Letter to the Federal Reserve Bank of San Francisco extending the time within which Walker Bank & Trust Company, Salt Lake City, Utah, may establish a branch in Riverton, Utah.

8

Letter to Walker Bank & Trust Company, Salt Lake City, Utah, approving the establishment of branches at 251 South 13th East Street and 1350 South Foothill Drive. (For transmittal through the Federal Reserve Bank of San Francisco)

9

Letter to Mr. Byron Moser, St. Louis, Missouri, regarding the recent decision of the Supreme Court of Missouri in a suit brought by Mr. Moser and others against Mercantile Trust Company of St. Louis.

10

Proposed supplement to report of condition of State member

banks. There had been circulated to the members of the Board a memorandum dated April 25, 1957, from Messrs. Horbett, Associate Director, and Veenstra, Technical Assistant, Division of Bank Operations, submitting a draft of a proposed supplement to the report of condition for use in obtaining additional information at the forthcoming mid-year call on (1) time deposits of individuals, partnerships, and corporations, and (2) loans subject to reserve for bad debt losses. The memorandum recommended, for reasons stated, that the Board approve the proposed supplement, subject to clearance by the Bureau of the Budget and with the understanding that similar data would be obtained

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from national and insured nonmember banks by the Comptroller of the Currency and the Federal Deposit Insurance Corporation, respectively. Drafts of suggested letters to the Bureau and the two bank supervisory agencies were submitted with the memorandum.

Question was raised whether, in view of the action taken by the Board effective January 1, 1957, increasing the maximum permissible rates of interest on savings deposits and certain classes of time deposits, it would be desirable to expand the proposed supplement to obtain information on rates currently being paid on such deposits. In this connection, reference was made to a statement in the memorandum from Messrs. Horbett and Veenstra that the supplement would have to be expanded considerably to obtain complete information on the distribution of savings and other time deposits by rates, maturities, etc., because of the variety of rate schedules adopted by banks. The memorandum expressed the view that if such data should be needed, it might be better to collect the information by means of a separate schedule or report.

In a discussion of the matter, the suggestion was made that it might be possible, without undue burden on the reporting banks, to obtain certain basic data on the prevailing rates of interest on savings and other time deposits.

Accordingly, it was agreed unanimously to defer a decision on the recommendation contained in the memorandum from Messrs. Horbett and Veenstra and to request from the staff a further statement on the desirability and feasibility of obtaining such information.

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At this point Messrs Riefler, Assistant to the Chairman, Thomas, Economic Adviser to the Board, and Young, Director, Division of Research and Statistics, entered the room.

Topics for discussion with the Federal Advisory Council (Item No. 11). There had been distributed to the members of the Board copies of a draft of letter to the Secretary of the Federal Advisory Council listing topics suggested for consideration at the forthcoming meeting of the Council and for discussion at the joint meeting of the Board and the Council on Tuesday, May 14.

Agreement was expressed with a suggestion by Governor Mills that an additional topic be included which would request the views of the Council members on the experience of banks in their respective districts under the increased maximum permissible rates of interest on savings and other time deposits which were approved effective January 1, 1957. Agreement also was expressed with a further suggestion by Governor Mills that a topic be included which would request the comments of the Council members concerning the effect of reduced liquidity positions on the lending operations of member banks in the several reserve classifications.

Accordingly, unanimous approval was given to a letter to the Secretary of the Federal Advisory Council, with a copy to the President of the Council, in the form of Item No. 11 attached to these minutes.

Savings bond luncheon. Mr. Carpenter reported receipt of a telephone call from a representative of the Treasury Department who advised that a committee of the State chairmen for the United States Savings Bond program would be in Washington early next month to discuss

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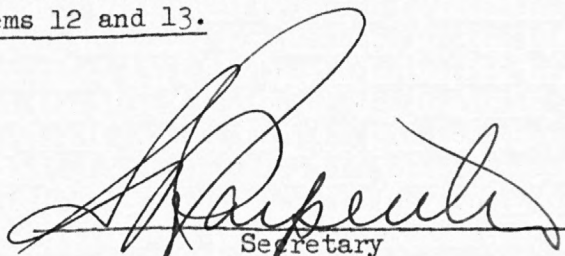
promotion of the program and inquired whether the Board would wish to extend an invitation to the members of the committee to have luncheon with the members of the Board at the Federal Reserve Building on Thursday, June 6.

It was agreed unanimously to extend an invitation to the committee to have luncheon with the Board on the date suggested.

The meeting then adjourned.

Secretary's Note: Pursuant to the recommendation contained in a memorandum dated April 25, 1957, from Mr. Noyes, Adviser, Division of Research and Statistics, Governor Shepardson approved on behalf of the Board on April 29, 1957, the appointment of Catherine Anne Wright as Clerk in that Division, with basic annual salary at the rate of \$3,670, effective the date she assumes her duties.

Governor Shepardson approved on behalf of the Board today the recommendations contained in memoranda from Mr. Young, Director, Division of Research and Statistics, dated April 22 and 23, 1957, respectively, relating to the reappointment of certain consultants. Copies of the memoranda are attached to these minutes as Items 12 and 13.



Secretary

Item No. 1

5/1/57

April 22, 1957.

Board of Governors

Attendance at 1958 Session--
Graduate School of Banking,
Rutgers University.

Division of Personnel Administration

In accordance with the usual practice, the Division of Personnel Administration has requested the head of each Division of the Board to submit names of qualified employees whom he would recommend for attendance at the 1958 Summer Session of the Graduate School of Banking at Rutgers University. Although the dead line for submitting applications to the school is October 1, we have been advised by the Registrar of the Graduate School of Banking that applications should be received in May in order to assure acceptance, since there is always a waiting list of applicants. The School customarily holds 24 places for the Federal Reserve Banks in each entering class, and has advised us that they are holding two of these for men ~~from~~ the Board in 1958.

From among the employees considered for recommendations by the Division heads, two have been selected as meeting the qualifications established by the school for first-year students. The qualifications state that the employee must be an officer of a bank, that he must be at least thirty years of age, and that he must have had at least eight years' banking experience, or business and professional experience which in the opinion of the Faculty Committee on Admissions is equivalent. The school also indicates that Government and State banking department representatives may be admitted.

Mr. Paul F. Smith, Economist, Consumer Credit and Finances Section, Division of Research and Statistics, has been selected by Mr. Young, and Mr. Theodore A. Veenstra, Technical Assistant, Division of Bank Operations, has been selected by Mr. Leonard. From our previous experience we feel both of these men will qualify on an equivalent basis to meet the status criterion, although not members of the official staff of the Board. It is recommended that the Board authorize Mr. Smith and Mr. Veenstra to attend the 1958 session of the Graduate School of Banking at Rutgers University, that they be granted the additional leave required, and that transportation and other expenses incidental to their attendance be paid by the Board of Governors on the basis outlined in the Board's letter to the Reserve Banks on this subject dated February 26, 1953 (S-1489).

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The Board has already approved the attendance at the 1957 session of Mr. William S. Wait, a second-year student, and Mr. John J. Hart and Mr. Clifford A. Davis, both first-year students. It is assumed that these individuals will wish to continue their attendance until they have completed the three resident sessions.

Background information on Mr. Smith and Mr. Veenstra follows:

Paul F. Smith, Economist, Consumer Credit and Finances
Section, Division of Research and Statistics.

Mr. Smith, who is 37 years of age, was employed by the Board on June 23, 1947, as an Analyst in the Division of Bank Operations. He transferred to the Division of Research and Statistics on October 1, 1951, and has been working as an Economist in the Consumer Credit and Finances Section since that time. He received an A.B. degree from the University of Chicago and an M.A. degree from Northwestern University with a major in Economics. Just prior to his employment by the Board Mr. Smith served approximately four years with the U. S. Navy.

Theodore A. Veenstra, Technical Assistant, Division
of Bank Operations.

Mr. Veenstra will be 30 years of age on June 13, 1957. He was employed by the Board on November 7, 1950, as an Analyst in the Division of Bank Operations. With the exception of his assignment to the Division of Selective Credit Regulation from January 1951 to May 1952, all of his service with the Board has been in the Division of Bank Operations where he has been primarily concerned with member bank reports and statistics. Mr. Veenstra has a BBA degree from the University of Michigan.

(Signed) June E. Ayers

Item No. 2
5/1/57

May 1, 1957

Mr. A. Phelan, Vice President,
Federal Reserve Bank of New York,
New York 45, New York.

Dear Mr. Phelan:

Reference is made to your letter of April 17, 1957, and an amending telegram of April 19, 1957, submitting with a favorable recommendation the request of The Trust Company of New Jersey, Jersey City, New Jersey, for approval under section 24A of additional investments in bank premises amounting to not exceeding \$250,000, including the cost of installing self-operating elevators in its main office building, centralizing bookkeeping operations in that building, and certain other bank premises expenditures which were capitalized prior to the examination as of November 2, 1956.

The Board of Governors has given consideration to the information you have submitted and approves the additional investments made or to be made for the above purposes. Please advise the trust company accordingly.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Assistant Secretary.

Item No. 3
5/1/57

May 1, 1957

Mr. E. C. Hill, Vice President,
Federal Reserve Bank of Philadelphia,
Philadelphia 1, Pennsylvania.

Dear Mr. Hill:

In view of the circumstances outlined in your letter of April 23, 1957, the Board of Governors extends until July 31, 1957, the time within which Camden Trust Company, Camden, New Jersey, may establish a branch at 9 -11 -15 - 17 Chestnut Street, Haddonfield, New Jersey, under authorization contained in its letter of October 31, 1956.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Assistant Secretary.

Item No. 4

5/1/57

May 1, 1957

Board of Directors,
Lemoyne Trust Company,
Lemoyne, Pennsylvania.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Philadelphia, the Board of Governors of the Federal Reserve System approves the establishment of a branch at 3025 Market Street, Borough of Camp Hill, Cumberland County, Pennsylvania, by Lemoyne Trust Company, Lemoyne, Pennsylvania, provided the branch is established within one year from the date of this letter, and the approval of the State authorities is in effect as of the date of the establishment of the branch.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Assistant Secretary.

Item No. 5
5/1/57

May 1, 1957

Board of Directors,
Peoples Union Bank and Trust Company,
McKeesport, Pennsylvania.

Gentlemen:

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

Following consideration of the information submitted, the Board of Governors of the Federal Reserve System grants permission to the Peoples Union Bank and Trust Company to exercise the fiduciary powers now or hereafter authorized under the terms of its Articles of Incorporation and the laws of the State of Pennsylvania.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Assistant Secretary.

Item No. 6

5/1/57

May 1, 1957

Mr. L. G. Pondrom, Vice President,
Federal Reserve Bank of Dallas,
Dallas 13, Texas.

Dear Mr. Pondrom:

Reference is made to your letter of April 3, 1957, requesting that the Board approve, under the provisions of Section 24A of the Federal Reserve Act, an additional investment in bank premises by Texas Bank & Trust Company of Dallas, Dallas, Texas.

After consideration of the information submitted, the Board of Governors concurs in the Reserve Bank's recommendation and approves an additional investment of \$882,780 in bank premises by Texas Bank & Trust Company of Dallas, Dallas, Texas, provided that bank premises will not be capitalized on the bank's books at more than \$3,000,000 and that amounts in excess of the book value are financed by means of a loan on which the bank is not directly liable.

It is presumed the member bank will reduce this investment on a planned and regular basis.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Assistant Secretary.

Item No. 7

5/1/57

May 1, 1957

Mr. L. G. Pondrom, Vice President,
Federal Reserve Bank of Dallas,
Dallas 13, Texas.

Dear Mr. Pondrom:

Reference is made to your letter of April 11, 1957, recommending the Board approve, under the provisions of Section 24A of the Federal Reserve Act, an additional investment of \$75,000 in bank premises by the Security State Bank and Trust Company of Beaumont, Beaumont, Texas.

After considering all available information, the Board of Governors concurs in the Reserve Bank's recommendation and approves this additional investment of \$75,000 in banking premises by Security State Bank and Trust Company of Beaumont, Beaumont, Texas.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Assistant Secretary.

Item No. 8
5/1/57

May 1, 1957

Mr. E. R. Millard, Vice President,
Federal Reserve Bank of San Francisco,
San Francisco 20, California.

Dear Mr. Millard:

As recommended in your letter of April 22, 1957, the Board of Governors extends to August 21, 1957, the time within which the Walker Bank & Trust Company, Salt Lake City, Utah, may establish a branch at 1720 West 12600 South Street, Riverton, Utah.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Assistant Secretary.

Item No. 9
5/1/57

May 1, 1957

Board of Directors,
Walker Bank & Trust Company,
Salt Lake City, Utah.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of San Francisco, the Board of Governors approves the establishment of branches at approximately 251 South 13th East Street and approximately 1350 South Foothill Drive, Salt Lake City, Utah, by Walker Bank & Trust Company, Salt Lake City, Utah, provided the branches are established within one year from the date of this letter and that formal approval of the Utah State Banking Commissioner is effective at the time the branches are established.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Assistant Secretary.

Item No. 10
5/1/57

May 1, 1957

Mr. Byron Moser,
Time Building,
1134 Locust Street,
St. Louis 1, Missouri.

Dear Mr. Moser:

I appreciate your sending me with your letter of April 16, 1957, the news item from the St. Louis Post-Dispatch regarding the recent decision of the Supreme Court of Missouri in your suit against the Mercantile Trust Company of St. Louis. It is noted that another suit which was instituted against the Trust Company last June has not yet been tried.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.

Item No. 11

5/1/57

May 1, 1957

AIR MAIL

Mr. Herbert V. Prochnow, Secretary,
Federal Advisory Council,
c/o The First National Bank of Chicago,
P.O. Box A,
Chicago 90, Illinois.

Dear Mr. Prochnow:

The Board would appreciate having the following topics placed on the agenda of the Federal Advisory Council for consideration at its meeting to be held on May 12, 1957 and for discussion at the joint meeting with the Board scheduled for 10:30 a.m. on Tuesday, May 14.

1. What are the views of the members of the Council regarding the economic outlook for the approximate period mid-May to mid-autumn of this year? While all major phases of the economy should be covered in this review, the Board would like particularly to have comments on the programs of operative builders for construction of houses during the next year, and how the aggregate demand for residential mortgage credit will compare with funds available for that purpose.

2. The Board would like to have the members of the Council comment on the attitude of the business community toward the level of prices and the cost of living. That is, how do businessmen really feel about a rising price level such as has been experienced in recent years? Do they believe that in the years to come a rising price level is necessary as an alternative to unemployment? Do they understand and favor the vigorous use of credit and fiscal measures to maintain a dollar of relatively stable purchasing power?

3. The Board would appreciate comments as to the experience of banks generally regarding

- (a) whether, as the result of paying higher interest rates, savings and other time deposits have increased since January 1, 1957;
- (b) if so, whether and to what extent the increase reflects a shift from demand deposits and from funds formerly in savings and loan associations; or whether it reflects entirely new savings;

Mr. Herbert V. Prochnow

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- (c) whether the cost of the higher interest rates announced on savings and time deposits has had an effect on operating policies of the banks.

4. In the observation of members of the Council, what effect has reduced liquidity had on the availability of bank loans within their respective districts? Do the banks aim at maintaining any set ratio of liquidity as between loans and holdings of U. S. Government securities, etc.? In regulating their liquidity positions, is there any difference in the policies of banks in

- (a) central reserve cities
- (b) reserve cities
- (c) areas outside (a) and (b).

5. What is the Council's view of an appropriate credit policy for the period from the time of this meeting until mid-autumn of 1957?

- 6. (a) The Board would appreciate receiving any comments the members of the Council may have as to the Bank Holding Company Act of 1956. (As suggested by Chairman Martin at the meeting on February 19, this topic will be carried on the agenda regularly until the spring of 1958.)

- (b) What are the views of the members of the Council as to whether all special exemptions from the definition of a bank holding company should be eliminated from the Bank Holding Company Act of 1956?

7. The Board would like to have a further discussion of the problem of "window dressing" by banks for purposes of inflating deposits and reducing figures of bank borrowing at times of the regular reports of condition.

With respect to topic 6 (b), Messrs. Denton, Livingston, and Baird have submitted letters on this subject since the meeting on February 19, and it is assumed that copies of those letters have been circulated among all members of the Council.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.

Item No. 12
5/1/57

April 22, 1957

To: Board of Governors Subject: Reappointment of Consultants --
Exploratory Committee on Longer-Term Finan-
From: Ralph A. Young cial Problems

It is recommended that Alexander Sachs, independent business consultant, Professor Jacob Viner of Princeton University, and Professor Edward S. Shaw of Stanford University be reappointed as Consultants for purposes of the Exploratory Committee on Longer-term Financial Problems, effective upon approval of the Board and until December 31, 1957, on a temporary contractual basis, with compensation at the rate of \$50 per day for each day worked for the Board, either in Washington or outside the city, plus a per diem in lieu of subsistence expenses for the amount of time spent in a travel status in connection with their assignments and transportation in accordance with the Board's travel regulations. It is understood that, for purposes of travel, the headquarters of each individual will be either his home or place of business.

It is expected that the services of the three Consultants would not be needed for more than an average of 12 days each during 1957. All of those named served during 1956 under similar terms.

Provision was made for the recommended action in the 1957 Budget of the Division of Research and Statistics.

(Signed) R.A.Y.

Item No. 13

5/1/57

April 23, 1957

To: Board of Governors

Subject: Reappointment of Consultants -- Surveys of Consumer Finances

From: Ralph A. Young

It is recommended that Emanuel T. Weiler, Chairman of the Department of Economics, Purdue University; James Tobin, Professor of Economics, Yale University; George Leland Bach, Head of Industrial Administration Department, Carnegie Institute of Technology; and Guy H. Orcutt, Associate Professor of Economics, Harvard University, be reappointed as Consultants, effective upon approval by the Board and until December 31, 1957, for work on the scope, methods, and analysis of the Surveys of Consumer Finances, on a temporary contractual basis and with compensation at the rate of \$50 per day for each day worked for the Board, either in Washington or outside the city, plus a per diem in lieu of subsistence expenses for the amount of time spent in a travel status in connection with their assignments and transportation in accordance with the Board's travel regulations. It is understood that, for purposes of travel, the headquarters of each individual will be either his home or place of business.

The services of each individual named will probably not be needed for more than six days between now and December 31, 1957. All of those named served during 1956 under similar terms.

Provision was made for the recommended action in the Division of Research and Statistics' 1957 Special Project Budget - Evaluation of Consumer Finances Survey.

(Signed) R.A.Y.
