

Minutes for May 10, 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	X <u>W</u>	_____
Gov. Szymczak	X <u>[Signature]</u>	_____
Gov. Vardaman	X _____	_____
Gov. Mills	X <u>[Signature]</u>	_____
Gov. Robertson	X <u>R</u>	_____
Gov. Balderston	X <u>ccB</u>	_____
Gov. Shepardson	X <u>[Signature]</u>	_____

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, May 10, 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. Kenyon, Assistant Secretary  
 Mr. Riefler, Assistant to the Chairman  
 Mr. Bethea, Director, Division of Administrative Services  
 Mr. Young, Director, Division of Research and Statistics  
 Mr. Sloan, Director, Division of Examinations  
 Mr. Johnson, Controller, and Director, Division of Personnel Administration  
 Mr. Hackley, General Counsel  
 Mr. Cherry, Legislative Counsel  
 Mr. Molony, Special Assistant to the Board  
 Mr. Noyes, Adviser, Division of Research and Statistics  
 Mr. Koch, Assistant Director, Division of Research and Statistics  
 Mr. Masters, Associate Director, Division of Examinations  
 Mr. Solomon, Assistant General Counsel

Request for approval of proposed rate of salary (Item No. 1).

There had been circulated to the members of the Board a file relating to a request from the Federal Reserve Bank of Chicago for approval of the payment of salary to Vice President Turner at a rate which had been fixed by the Bank's Board of Directors. The recommendation of the Division of Personnel Administration was favorable and a draft of suggested letter to the Chicago Reserve Bank was submitted with the file.

1/ Withdrew from meeting at point indicated in minutes.

5/10/57

-2-

Pursuant to the recommendation of the Division of Personnel Administration, unanimous approval was given to the letter to the Federal Reserve Bank of Chicago of which a copy is attached to these minutes as Item No. 1.

Discount rates. There were presented telegrams proposed to be sent to the following Federal Reserve Banks which would approve the establishment without change by the respective Banks on the dates indicated of the rates of discount and purchase contained in their existing schedules:

Boston	May 6
San Francisco	May 8
New York	May 9
Cleveland	May 9
Richmond	May 9
Atlanta	May 9
St. Louis	May 9
Minneapolis	May 9
Kansas City	May 9
Dallas	May 9

The telegrams were approved unanimously.

Purchase of Xerox unit (Item No. 2). In a letter dated April 22, 1957, the Chairman of the Congressional Joint Committee on Printing stated that the Committee had been advised of the recent purchase by the Board of a Xerox unit and that, in accordance with the provisions of the Government Printing and Binding Regulations, the purchase and operation of this item appeared to require the prior approval of the Committee. The letter requested that the Committee be advised regarding the proposed use of the Xerox unit and what justification supported its acquisition. It also requested a complete inventory of printing, binding, and related or auxiliary equipment currently being operated by the Board.

5/10/57

-3-

There had been distributed to the members of the Board copies of a proposed reply which would state that the Board's printing equipment is purchased pursuant to provisions of the Federal Reserve Act and that, in the light of such provisions, it was the Board's view that the Government Printing and Binding Regulations and the law upon which they are based are not applicable to such purchases. The letter would then set forth uses to be made of the Xerox unit as well as the Multilith Offset Press recently purchased by the Board, and would enclose a list of the printing, binding and related or auxiliary equipment currently being operated.

Governor Balderston suggested a rearrangement of the reply so that it would refer first to the proposed uses of the Xerox unit and the enclosed listing of printing and auxiliary equipment.

Governor Robertson agreed with the proposed rearrangement and made a further suggestion for changes in the portion of the letter expressing the Board's view with regard to the effect of the pertinent provisions of the Federal Reserve Act.

There being agreement with these suggestions, unanimous approval was given to a letter to the Chairman of the Joint Committee on Printing in the form attached to these minutes as Item No. 2.

Messrs. Bethea and Johnson then withdrew from the meeting.

Availability of credit to small business (Items 3 and 4). Pursuant to the understanding at the meeting of the Board yesterday, there had been distributed to the members of the Board prior to this meeting

5/10/57

-4-

revised drafts of letters on the subject of credit availability to small business which would be sent to Representative Wright Patman, Chairman of the Congressional Joint Economic Committee, and Mr. Carl M. Flora, Chairman of the Small Business Credit Commission of the American Bankers Association. The revised drafts were intended to reflect the Board's views as expressed at the conclusion of yesterday's meeting.

Agreement having been expressed with certain changes which were suggested in the revised draft of letter to Representative Patman, unanimous approval was given to letters to Messrs. Patman and Flora in the form attached to these minutes as Items 3 and 4, respectively, with the understanding that the letter to Mr. Patman would be delivered personally by Mr. Young.

Messrs. Cherry and Koch then withdrew from the meeting.

Hearing under section 4(c)(6) of the Bank Holding Company Act (Item No. 5). There had been sent to the members of the Board copies of a memorandum from Mr. Solomon dated May 8, 1957, relating to a request from General Contract Corporation, St. Louis, Missouri, in connection with the hearing being held on applications of that Corporation under section 4(c)(6) of the Bank Holding Company Act, that the time for submitting to the Hearing Examiner proposed findings and conclusions, and supporting brief, be extended from May 17, 1957, to July 1, 1957. Mr. Solomon's memorandum concurred in the recommendation of the Hearing Examiner that the extension of time be granted, and there was submitted a draft of order which might be used for the purpose.

5/10/57

-5-

Pursuant to the recommendations of Mr. Solomon and the Hearing Examiner, unanimous approval was given to an order approving the request for an extension of time, with the understanding that copies thereof would be transmitted to General Contract Corporation, the Hearing Examiner, and other appropriate parties. A copy of the order is attached hereto as Item No. 5.

Proposed consolidation of banks in Flint, Michigan (Item No. 6).

At the meeting on April 3, 1957, the Board gave preliminary consideration to the proposed consolidation of Genesee County Savings Bank and Merchants and Mechanics Bank, both of Flint, Michigan, and decided to refer the matter back to the Federal Reserve Bank of Chicago in order to obtain the Reserve Bank's views on the competitive aspects of the proposal. In the light of comments subsequently received from the Reserve Bank, the Division of Examinations prepared a memorandum under date of April 30, 1957, analyzing the situation and reaffirming its favorable recommendation. The file, including the new memorandum from the Division of Examinations, had been recirculated to the members of the Board prior to this meeting.

With regard to a comment that the data submitted by the Federal Reserve Bank of Chicago did not add a great deal of significant information to the record, Governor Robertson remarked that the file would reflect that the Board had explored fully the competitive aspects of the proposal and that no information had been received as a result of this exploration to indicate that the Board should not take favorable action.

Thereupon, unanimous approval was given to the letter to Genesee

5/10/57

-6-

County Savings Bank of which a copy is attached hereto as Item No. 6, for transmittal through the Federal Reserve Bank of Chicago.

Space requirements of the Board. With reference to the discussion at the meeting on May 8, 1957, concerning the matter of leasing space in the Potomac Plaza Office Building to satisfy the Board's space requirements on an interim basis, Governor Shepardson said that upon further reflection in the light of questions raised during the Board's consideration of the matter, including the length of the proposed rental contract, it occurred to him that it might be advisable to check with General Services Administration - not for the purpose of obtaining consent but to outline what was being planned and ask for any suggestions regarding methods of procedure. This would avoid the possibility of questions being raised at a later date and might result in obtaining certain helpful advice. Therefore, in the absence of objection on the part of the Board, he proposed to arrange a meeting with representatives of General Services Administration, taking with him a member of the Board's legal staff.

There was unanimous agreement that the procedure suggested by Governor Shepardson would be appropriate.

Letter from the President (Item No. 7). The Chairman read for the confidential information of the members of the Board a letter which he had received under date of May 9, 1957, from the President of the United States. It was agreed that the letter, of which a copy is attached hereto as Item No. 7, should be kept confidential and not discussed outside the Board's organization.

5/10/57

-7-

The meeting then recessed and reconvened at 11:30 a.m., with all of the members of the Board except Governor Mills present. Mr. Carpenter was also present.

Chairman Martin stated that since the earlier session of the Board he had given thought to a possible reply to the letter from the President and had prepared a draft of such a reply. The draft was read by each member of the Board present, after which it was approved unan- imously in the form attached hereto as Item No. 8, with the understanding that neither the incoming letter nor the reply would be discussed outside the Board's organization in the absence of public reference thereto by the President. Chairman Martin stated that Governor Mills was out of the building and that he would clear the reply with him before it was sent.

The meeting then adjourned.

Secretary's Note: Pursuant to requests from Mr. Young, Director, Division of Research and Statistics, Governor Shepardson today approved on behalf of the Board (1) an extension of the itinerary for Mr. Young's trip to Europe, approved by the Board on March 14, 1957, to include Madrid, Spain; and (2) an advance of funds in the amount of \$3,000 for use to assist in meeting expenses of official travel.

On May 9, 1957, Governor Shepardson approved on behalf of the Board the following items, copies of which are attached to these minutes under the respective item numbers indicated:

Item No.

Telegram to the Federal Reserve Bank of Richmond approving the designation of Leonard A. Ross, Jr., as special assistant examiner. .

9

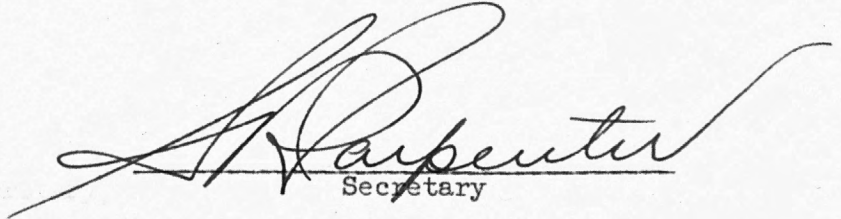


5/10/57

Item No.

10

Letter to the Federal Reserve Bank of Chicago  
approving the designation of Richard J. Pettit  
and Chris J. Pappas as special assistant examiners.

  
Secretary

Item No. 1  
5/10/57

May 10, 1957

CONFIDENTIAL (FR)

Mr. Neil B. Dawes,  
Vice President and Secretary,  
Federal Reserve Bank of Chicago,  
Chicago 90, Illinois.

Dear Mr. Dawes:

The Board of Governors approves the payment of salary to Mr. William W. Turner, Vice President, for the period May 1, 1957, through December 31, 1957, at the rate of \$22,000 per annum, which is the rate fixed by the Board of Directors as indicated in your letter of April 22, 1957.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,  
Secretary.

Item No. 2  
5/10/57

May 10, 1957.

The Honorable Carl Hayden, Chairman,  
Joint Committee on Printing,  
United States Senate,  
Washington 25, D. C.

Dear Senator Hayden:

This refers to your letter of April 22, 1957, regarding the recent purchase by the Board of a Xerox unit.

The Xerox unit referred to in your letter was acquired by the Board to supplement its present printing and mimeographing facilities, which are necessary for its internal needs, including preparation of the Board's minutes and communications with the Federal Reserve Banks. For the same purposes, a No. 1250 Multi-lith Offset Press was also recently purchased by the Board.

For your information in this connection, there is enclosed a list of the printing, binding and related or auxiliary equipment which is currently being operated by the Board.

As was indicated in a letter from the Board to your Committee dated March 31, 1937, the Board's printing equipment is purchased pursuant to provisions of the Federal Reserve Act. Section 10 of that Act (12 U.S.C. §244) provides that the Board shall determine the manner in which its obligations shall be incurred and its expenses allowed and paid and states that the Board's expenses shall be governed solely by this Act and that the Board's funds, which are derived from assessments on the 12 Federal Reserve Banks, shall not be construed to be Government funds or appropriated moneys. These provisions of the law were enacted by the Congress in 1933 as a part of the Federal Reserve Act and were designed to give the Board discretion in the management of its internal administrative affairs. Since that time there have been certain statutes which the Board has considered as being inapplicable to it. These include the statute upon which the Government Printing and Binding Regulations are based and for that reason it has been the view of the Board that the regulations are not applicable to the Board's purchase of printing equipment.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.

Enclosure

Item No. 3  
5/10/57

May 10, 1957

The Honorable Wright Patman,  
House of Representatives,  
Washington 25, D. C.

Dear Mr. Patman:

This is in reply to your letter of April 30 expressing interest in certain data relative to small business financing along the line of material included in the Board's survey of bank loans to business as of October 1955.

There is a very real need for solid information on the financial position and problems of small business that goes far beyond the type of data obtainable by surveying bank loans. That need is for the best and most comprehensive factual and analytical material it is possible to develop on this matter of wide and vital interest.

This is a question with which the Board has been concerned for some time. However, it is not a matter of concern to the Board alone, nor one exclusively in the Board's domain. The matter is of equal concern to a number of committees of the Congress and several departments and agencies of the executive branch.

The problems of small business, in respect to credit and capital and related matters, have, for example, drawn the attention for some years of the Small Business and the Banking and Currency Committees of the House and Senate, the Joint Economic Committee, the Council of Economic Advisers, the Commerce and Treasury Departments, the Small Business Administration, the Federal Trade Commission, the Securities and Exchange Commission, and others. Also, the subject will doubtless be of interest in connection with the study of financial matters that the Senate Finance Committee is planning at this time.

If the true needs for information relative to the financing problems of small business are to be met, it would appear to us highly desirable that an effort be made on the part of all these groups to formulate means of arriving at material that will at once be comprehensive and broad enough to cover the informational requirements of these groups and be of a scope and

The Honorable Wright Patman

-2-

quality satisfactory to all. The Board would cooperate to the full in efforts to formulate and carry out such a study. The Board recognizes that such an undertaking would involve a considerable expenditure of time and money. To be worthwhile, such an undertaking would have to be comparable in breadth of coverage to the study of consumer instalment credit undertaken by the Board at the request of the President. As you know, this study required about 12 months' intensive efforts of part of the Board's comparatively small staff, plus the use of several outside survey and research organizations. As you further know, that study entailed direct costs approximating \$380,000.

The necessity for such a comprehensive undertaking has been highlighted by efforts in the past, both on our part and on the part of others, to obtain certain limited information by means readily at hand. Recently, for example, we developed what we believed to be revealing data on the trends in bank lending to businesses of various sizes from a quarterly survey on interest rates charged by banks on business loans. The information has been given to members of your staff. This material, while informative as far as it goes, is not sufficient to meet the basic needs which you, as well as we, have in mind.

The same inadequacy is true, unfortunately, for the type of information obtainable in a bank loan survey. Such a survey would be extremely complicated and time consuming, yet would add little to the data on bank financing of small business available from the existing quarterly survey and the regular call reports.

In view of the above, the Board has requested our Director of Research, Mr. Ralph A. Young, to deliver this letter to you personally and to discuss the matter with you.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.

Item No. 4  
5/10/57

May 13, 1957

Mr. Carl M. Flora, Vice President,  
First Wisconsin National Bank,  
Milwaukee 1, Wisconsin.

Dear Carl:

Thank you for your thoughtful letter of April 29, attaching a copy of the report of the ABA Small Business Credit Commission, of which you are Chairman.

Your Commission's suggestion for a special survey of the problem of credit availability to small business under Federal Reserve auspices has been brought to the attention of the Board of Governors. The Board is aware of the importance of obtaining additional information on this subject and has now directed a System staff group to explore alternative means of obtaining more adequate factual information on trends in credit availability to smaller businesses.

I trust that members of this task group can feel free to seek the advice and help of your Commission. It may be that you and your associates already have in mind a specific proposal as to the most fruitful approach to this problem. Please be assured that any suggestions you may care to communicate to us will be appreciated.

Yours sincerely,

(Signed) Ralph A. Young

Ralph A. Young, Director,  
Division of Research and Statistics.

UNITED STATES OF AMERICA

Item No. 5

5/10/57

BEFORE THE

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D. C.

IN THE MATTER OF  
THE APPLICATIONS OF  
GENERAL CONTRACT CORPORATION

DOCKET NO.  
BHC-4-27

ORDER EXTENDING TIME WITHIN WHICH APPLICANT  
MAY SUBMIT TO HEARING EXAMINER PROPOSED FINDINGS  
AND CONCLUSIONS, AND SUPPORTING BRIEF

Additional time having been requested by the applicant, General Contract Corporation, within which to submit to the Hearing Examiner proposed findings and conclusions, and supporting brief, and it appearing to the Board that such request should be granted, it is hereby ORDERED that the time within which the applicant may file such proposed findings and conclusions, and supporting brief, be, and the same hereby is, extended to and including July 1, 1957.

This 10th day of May 1957

By order of the Board of Governors.

(Signed) S. R. Carpenter

S. R. Carpenter,  
Secretary.

(SEAL)

Item No. 6  
5/10/57

May 10, 1957.

Board of Directors,  
Genesee County Savings Bank,  
Flint, Michigan.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Chicago, the Board of Governors hereby gives its written consent, under the provisions of Section 18(c) of the Federal Deposit Insurance Act, to the consolidation of Genesee County Savings Bank and the Merchants and Mechanics Bank, both of Flint, Michigan, under the charter of the former, and approves the establishment of branches by the consolidated bank at the following locations, all within the city limits of Flint, Michigan:

120 West First Street  
5010 Clio Road  
3201 South Dort Highway  
3701-05 Fenton Road  
1911 Franklin Avenue  
6923-25 North Saginaw Street,

provided (a) the consolidation is effected substantially in accordance with the consolidation agreement submitted, (b) formal approval is given by the appropriate State authority, and (c) the proposed consolidation and establishment of branches are effected within six months from the date of this letter.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Assistant Secretary.



Item No. 7  
5/10/57

THE WHITE HOUSE

Washington

May 9, 1957

Dear Bill:

Yesterday in my Press Conference I inadvertently used the word "Government" when I meant "Administration" in connection with an answer on financial matters.

The statement I made was, "The monetary policy of this Government is mine, and no one underneath me is going to change my policy." Naturally, I did not mean to imply that I was usurping the powers of the Federal Reserve System -- I was simply talking about the Executive Department itself.

Sincerely,

(Signed) Dwight D. Eisenhower

The Honorable William McC. Martin, Jr.  
Chairman, Board of Governors  
Federal Reserve System  
Washington, D. C.

Item No. 8  
5/10/57

May 10, 1957.

My dear Mr. President:

It was most thoughtful of you to send me your note of May 9, with regard to your reply to a press conference question on financial matters.

You have been at pains on several occasions to stress the independent status of the Federal Reserve System within the Government so that no one here at the Board had any misgivings whatever on this score.

It is indeed a pleasure to be associated with your Administration under such favorable and understanding auspices.

Faithfully yours,

(Signed) Bill

Wm. McC. Martin, Jr.

The President,  
The White House.

TELEGRAMItem No. 9  
5/10/57

May 9, 1957

Armistead - Richmond

Reurlet May 8, 1957, Board approves designation of Leonard A.  
Ross, Jr., as a special assistant examiner for the Federal  
Reserve Bank of Richmond.

(Signed) Merritt Sherman  
Sherman

Item No. 10  
5/10/57

May 9, 1957

Mr. C. J. Scanlon, Chief Examiner,  
Federal Reserve Bank of Chicago,  
Chicago 90, Illinois.

Dear Mr. Scanlon:

In accordance with the request contained in your letters of May 6, 1957, the Board approves the designation of Richard J. Pettit and Chris J. Pappas as special assistant examiners for the Federal Reserve Bank of Chicago. Please advise as to the dates upon which the designations are made effective.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Assistant Secretary.