

Minutes for August 9, 1957

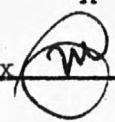
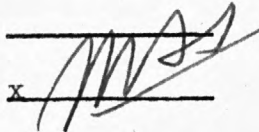

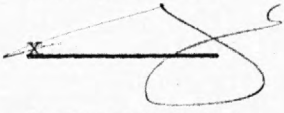
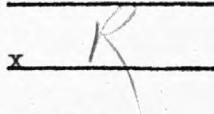
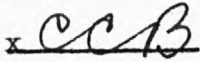
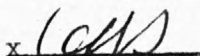
To: Members of the Board

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

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, August 9, 1957. The Board met in the Board Room at 10:00 a.m.

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

Mr. Carpenter, Secretary
 Mr. Kenyon, Assistant Secretary
 Mr. Thurston, Assistant to the Board
 Mr. Riefler, Assistant to the Chairman
 Mr. Thomas, Economic Adviser to the Board
 Mr. Masters, Director, Division of Examinations
 Mr. Koch, Assistant Director, Division of Research and Statistics
 Mr. Solomon, Assistant 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>
Letter to the Federal Reserve Bank of Chicago approving extension of the retirement dates of five specified employees.	1
Letter to First National Bank in Bozeman, Bozeman, Montana, granting its supplemental application for permission to exercise fiduciary powers. (For transmittal through the Federal Reserve Bank of Minneapolis)	2
Letter to the Comptroller of the Currency submitting an unfavorable recommendation with respect to an application to organize a national bank at Natick, Massachusetts. (With a copy to the Federal Reserve Bank of Boston)	3

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Testimony before the Senate Finance Committee. Under date of August 8, 1957, there had been sent to the members of the Board copies of a further revised draft of testimony to be given by Chairman Martin before the Senate Finance Committee. This draft incorporated certain comments and suggestions made by members of the Board at the meeting on August 7, 1957, as well as certain staff suggestions, particularly a concluding summary statement contributed by Mr. Riefler. Mr. Thurston stated that he had received comments from Governors Mills and Shepardson with respect to the latest draft and that some technical and editorial work remained to be accomplished.

Following a comment by Governor Mills that he considered the tone of the current draft a vast improvement over that of the preceding drafts, Governor Vardaman said that he also found the current draft an improvement. While he did not particularly favor the general approach and would prefer a statement that was not a "speech on inflation", he felt that if the Board, and particularly the Chairman, had determined that this kind of statement was appropriate the construction of the draft was about as good as could be accomplished.

After comments by the other members of the Board which indicated that they regarded the composition of the statement favorably, it was understood that a final revision would be submitted by the staff for consideration by the Board on Monday, August 12.

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Study of small business financing. Chairman Martin referred to the discussion at yesterday's meeting concerning the proposed study of small business financing and said that on the basis of that discussion it would now seem appropriate to send a letter to the Presidents of the Federal Reserve Banks regarding the study in order to obtain their comments. He said that he had talked with Senator Fulbright since yesterday's meeting and had told the Senator that a comprehensive and meaningful study such as suggested by the ad hoc System subcommittee could not possibly be completed in entirety by March 1, 1958. It was the Chairman's view that comments from the Reserve Bank Presidents might include information or views that would be helpful in further discussion with Senator Fulbright or in preparing a formal communication to him as Chairman of the Banking and Currency Committee. He realized that obtaining the comments of the Presidents might involve a delay of two or three weeks, but he felt that this delay would not be too serious in view of the fact that Senator Fulbright had been advised of the situation orally.

Governor Vardaman said that inasmuch as there were a number of small business bills pending in the Congress and there had been an indication that the sponsors of some of these bills had in mind awaiting the results of a small business financing survey before seeking action on the proposed legislation, it occurred to him that there would be some value in advising the appropriate members of the Congress concerning the status

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of the matter. He also suggested that the draft of letter to the Federal Reserve Banks which had been distributed to the members of the Board be changed in such a way as to make it clear that the Board was undertaking the study on its own initiative and not because of a request from outside, for he felt that it would be appropriate to set forth in positive fashion the fact that the Board itself considered the study desirable in the light of its responsibilities.

Chairman Martin then said that he would have no objection to sending a letter to Senator Fulbright at this time. He suggested, if that were done, that advice likewise be sent to Senators Sparkman and Clark and to Congressman Patman in view of the interest they had displayed in a survey of small business financing. He also said that he would ask the Board's Legislative Counsel to review the pending small business bills and that he would endeavor to discuss the proposed study, and the problems involved in it, with all of the Congressmen who were sponsoring legislation of this kind.

With regard to the phrasing of the letters, Governor Shepardson suggested that in view of the apparent desire within the Congress to begin work on small business legislation during the next Congressional session, it would seem advisable not to foreclose the possibility that the Board could make some constructive recommendations at that time even though all parts of the proposed study had not yet been completed.

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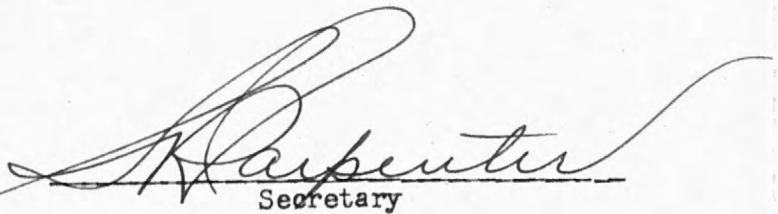
At the conclusion of the discussion, it was understood that drafts of letters to the members of Congress mentioned by Chairman Martin and to the Reserve Bank Presidents reflecting the comments made at this meeting would be prepared for consideration by the Board at the meeting on Monday, August 12.

Discount rates. With reference to the Board's action yesterday approving a discount rate of 3-1/2 per cent for the Federal Reserve Banks of Philadelphia, Chicago, Minneapolis, and Kansas City, Chairman Martin suggested that if advice should be received subsequent to this meeting from any other Reserve Banks that their directors had established a discount rate of 3-1/2 per cent and appropriate subsidiary rates of discount and purchase, subject to review and determination by the Board of Governors, the Secretary of the Board be authorized to advise such Banks that the Board approved the establishment of the proposed rates.

There was unanimous agreement with the Chairman's suggestion.

Secretary's Note: No advice of this kind was received from other Federal Reserve Banks during the day.

The meeting then adjourned.



Secretary

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON 25. D. C.

Item No. 1
8/9/57



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 9, 1957

Mr. Carl E. Allen, President,
Federal Reserve Bank of Chicago,
Chicago 90, Illinois.

Dear Mr. Allen:

Referring to the last paragraph of your July 19, 1957, letter, the Board approves the retention in service and payment of salary to the following employees through September 1, 1957, the effective date of amendments to the Retirement System of the Federal Reserve Banks:

- | | |
|------------------|------------------|
| Janet C. Bates | Colin B. Kennedy |
| Charles J. Baur | Mae C. Lafka |
| Anna K. Corcoran | |

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON 25, D. C.

Item No. 2
8/9/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 9, 1957

Board of Directors,
First National Bank in Bozeman,
Bozeman, Montana.

Gentlemen:

The Board of Governors of the Federal Reserve System has given consideration to your supplemental application for fiduciary powers, and, in addition to the authority heretofore granted to act as trustee, executor, administrator, and registrar of stocks and bonds, grants you authority to act, when not in contravention of State or local law, as guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies, or other corporations which come into competition with national banks are permitted to act under the laws of the State of Montana. The exercise of all such powers shall be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

A formal certificate indicating the fiduciary powers which the First National Bank in Bozeman is now authorized to exercise will be forwarded to you in due course.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON 25, D. C.

Item No. 3
8/9/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 9, 1957

Comptroller of the Currency,
Treasury Department,
Washington 25, D. C.

Attention Mr. G. W. Garwood,
Deputy Comptroller of the Currency.

Dear Mr. Comptroller:

Reference is made to a letter from your office dated June 14, 1957, enclosing copies of an application to organize a national bank at Natick, Massachusetts, and requesting a recommendation as to whether or not the application should be approved.

The report of investigation of the application made by an examiner for the Federal Reserve Bank of Boston indicates that the proposed capital structure of the bank would be adequate and the management would probably be satisfactory, although definite arrangements have not been made for an executive officer. However, the prospects for profitable operations of the bank are not favorable and, on the basis of the information available, there does not appear to be sufficient need for the bank in the area at this time. In view of the unfavorable factors, the Board of Governors does not feel justified in recommending approval of the application.

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.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.