

To: Members of the Board

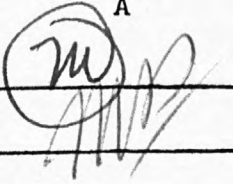
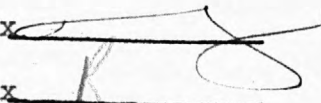
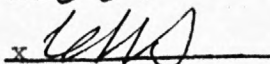
From: Office of the Secretary

Attached is a copy of the minutes of the Board of Governors of the Federal Reserve System on the above date.

It is proposed to place in the record of policy actions required to be kept under the provisions of Section 10 of the Federal Reserve Act an entry covering the item in this set of minutes commencing on the page and dealing with the subject referred to below:

Page 6 Reduction in discount rate
at the Federal Reserve Banks
of Cleveland, Chicago, and
San Francisco

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> | _____ |
| Gov. Szymczak | x _____ | _____ |
| Gov. Vardaman <u>1/</u> | _____ | x _____ |
| Gov. Mills | _____ | x <u></u> |
| Gov. Robertson | _____ | x _____ |
| Gov. Balderston | x <u>CCB</u> | _____ |
| Gov. Shepardson | x <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, November 27, 1957. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Assistant Secretary
Mr. Fauver, Assistant Secretary
Mr. Marget, Director, Division of International Finance
Mr. Johnson, Controller, and Director, Division of Personnel Administration
Mr. Hackley, General Counsel
Mr. Masters, Director, Division of Examinations
Mr. Sprecher, Assistant Director, Division of Personnel Administration
Mr. Molony, Special Assistant to the Board
Mr. Furth, Chief, International Financial Operations Section, Division of International Finance

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 an upward adjustment in the employees' salary structure applicable to the Detroit Branch. | 1 |
| Letter to Manufacturers and Traders Trust Company, Buffalo, New York, giving written consent to the merger with The First National Bank of Silver Creek, Silver Creek, New York, and approving the establishment of a branch. (For transmittal through the Federal Reserve Bank of New York) | 2 |
| Letter to the Comptroller of the Currency recommending approval of an application to organize a national bank at Walsenburg, Colorado. | 3 |

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Prior to approval of the foregoing Item No. 2, Mr. Sherman called to the attention of the Board the fact that Governor Robertson had indicated to the Secretary's Office that he would oppose either the proposed merger of Manufacturers and Traders Trust Company with The First National Bank of Silver Creek, or another proposed merger in a nearby community (Marine Trust Company of Western New York, Buffalo, New York, with The Citizens Bank of Attica). It appeared that Governor Robertson intended to direct his comments to the latter case, which was not yet before the Board for consideration, and the Board's approval of the Silver Creek merger, therefore, was subject to concurrence by Governor Robertson who would be returning before the end of the day.

Secretary's Note: Governor Robertson having indicated his approval, the letter attached hereto as Item No. 2 was mailed later in the day.

Philippine mission of Mr. Louis A. Zehner, Assistant Vice President, Federal Reserve Bank of Boston (Item No. 4). The Board then considered a memorandum from Mr. Marget, Director, Division of International Finance, dated November 25, 1957, which had been distributed prior to the meeting. The memorandum outlined arrangements proposed by the Federal Reserve Bank of Boston to make the services of Mr. Louis A. Zehner, Assistant Vice President of that Bank, available to Arthur D. Little, Inc., of Cambridge, Massachusetts, for assistance in a project undertaken by that firm under contract with the International Cooperation

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Administration to counsel with the Agricultural Credit and Cooperative Financing Administration in the Philippines. The board of directors of the Boston Bank had approved a leave of absence without salary for Mr. Zehner from December 1, 1957, to April 1, 1958, in order that he might undertake this assignment. The Board unanimously approved the letter attached to these minutes as Item No. 4 which interposed no objection to the arrangements suggested by the Federal Reserve Bank of Boston.

At the conclusion of this discussion Messrs. Hackley, Masters, Marget, Johnson, Sprecher, and Furth left the room.

Appointment of Lamar Fleming, Jr., Class C director at the Federal Reserve Bank of Dallas. The Board next turned to the consideration of director appointments and, in particular, the Class C vacancy on the Dallas board occasioned by the recent death of Mr. Henry P. Drought. Biographical information concerning persons who had been suggested as possible appointees to this post had been distributed to the members of the Board in a memorandum from Mr. Fauver dated November 7, 1957. In the light of the discussion during the executive session of the Board on November 20, 1957, it was unanimously agreed that Chairman Smith of the Federal Reserve Bank of Dallas would be asked to ascertain and advise whether Mr. Lamar Fleming, Jr., Chairman of the Board of Anderson, Clayton and Company, Houston, Texas, would accept appointment, if tendered, as a Class C director of the Dallas Reserve Bank for the

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unexpired portion of a three-year term ending December 31, 1958, with the understanding that if he would accept, the appointment would be made.

Chairman Martin pointed out that the Chairmen's Conference on December 5 and 6 would provide an excellent opportunity to discuss the remaining appointments to be made before the year end with the Chairmen of the respective Reserve Banks. It was his suggestion that the Board plan to take final action on as many of the appointments as possible on December 9 when it was expected all members of the Board would be present.

Governor Balderston mentioned the possibility of moving Mr. Bayard L. England, President, Atlantic City Electric Company, Atlantic City, New Jersey, from a Class B directorship to a Class C directorship to fill the vacancy resulting from the ineligibility of Mr. Meinel for reappointment. Chairman Martin stated his concern, which was shared by the other members of the Board present, about the principle of appointing banker-elected directors in Class B as Class C directors. He recognized that there was some precedent for such transfer appointments, but his view was that broad-scale adoption of this principle might provide further ammunition to those who allege banker domination of the System.

Mr. Molony inquired whether among the suggestions thus far received for director appointments there had been any individuals who could be classed as representatives of labor or who were particularly

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familiar with the labor viewpoint. He recalled that the lack of such appointments had been noted in Congressional hearings, and he also called attention to the substantial effort made by the Committee for Economic Development to assure that labor was adequately represented among those who would be selecting the members of the so called Independent National Monetary Commission.

Thereupon the meeting adjourned.

Secretary's Notes: Governor Balderston, acting in the absence of Governor Shepardson, approved on behalf of the Board on November 25, 1957, the following items:

Memorandum dated November 14, 1957, from Mr. Noyes, Adviser, Division of Research and Statistics, recommending the acceptance of the resignation of Adele H. Bishop, Secretary in that Division, effective November 15, 1957.

Letter to the Federal Reserve Bank of Cleveland approving the appointment of Richard L. McClure as assistant examiner. A copy of the letter is attached hereto as Item No. 5.

Governor Shepardson approved on behalf of the Board, on the dates indicated, the following items:

November 26

Memorandum dated November 19, 1957, from Mr. Carpenter, Secretary of the Board, recommending an increase in the basic salary of Sudelle Rice from \$3,940 to \$4,080 per annum with a change in title from Records Clerk to Index Clerk in the Office of the Secretary, effective December 1, 1957.

November 27

Memorandum dated November 21, 1957, from Mr. Young, Director, Division of Research and Statistics, recommending reappointment of Dr. Harry Ernst, Professor of Economics, and Director, Institute of

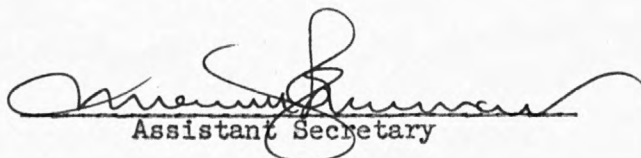
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Economic Research, Tufts University, as a Consultant until December 31, 1958, with compensation at the rate of \$50 per day for each day worked for the Board, either in Washington or outside the city, plus a per diem in lieu of subsistence for the amount of time spent in travel status in connection with his assignments, and transportation in accordance with the Board's travel regulations.

Letter to the Federal Reserve Bank of Chicago approving the appointment of Talmadge E. Allen as assistant examiner. A copy of the letter is attached hereto as Item No. 6.

The Federal Reserve Banks of Cleveland, Chicago, and San Francisco advised on November 27, 1957, that their directors at meetings on that date had established, effective November 29, 1957, subject to review and determination by the Board of Governors, a rate of 3 per cent on discounts for and advances to member banks under sections 13 and 13a; a rate of 3-1/2 per cent on advances to member banks under section 10(b); and a rate of 4 per cent for the Federal Reserve Bank of Cleveland on advances to individuals, partnerships, and corporations other than member banks under last paragraph of section 13. Pursuant to the authority given by the Board on November 14, the Secretary's Office sent telegrams to the Federal Reserve Banks of Cleveland, Chicago, and San Francisco on November 27, 1957, in the form attached hereto as Items 7 and 8.


Assistant Secretary

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

Item No. 1
11/27/57



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 27, 1957

CONFIDENTIAL (F.R.)

Mr. H. J. Newman, Vice President,
Federal Reserve Bank of Chicago,
Chicago 90, Illinois.

Dear Mr. Newman:

Reference is made to your letter of October 18, 1957, requesting the Board's approval of an upward adjustment in the employees' salary structure applicable to the Detroit Branch.

The Board approves the following minimum and maximum salaries for the respective grades for the Detroit Branch of the Federal Reserve Bank of Chicago, effective immediately.

| <u>Grade</u> | <u>Minimum Salary</u> | <u>Maximum Salary</u> |
|--------------|-----------------------|-----------------------|
| 1 | \$2520 | \$3450 |
| 2 | 2690 | 3680 |
| 3 | 2980 | 4030 |
| 4 | 3270 | 4430 |
| 5 | 3610 | 4890 |
| 6 | 4000 | 5410 |
| 7 | 4420 | 5980 |
| 8 | 4850 | 6560 |
| 9 | 5270 | 7130 |
| 10 | 5700 | 7710 |
| 11 | 6160 | 8340 |
| 12 | 6630 | 8970 |
| 13 | 7180 | 9720 |
| 14 | 7780 | 10520 |
| 15 | 8500 | 11500 |
| 16 | 9270 | 12540 |

Mr. H. J. Newman

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The Board approves the payment of salaries to the employees, other than officers, within the limits specified for the grades in which the positions of the respective employees are classified. It is assumed that all employees whose salaries are below the minimum of their grades as a result of the structure increase will be brought within the appropriate ranges as soon as practicable and not later than March 1, 1958.

It is the Board's understanding that the cost of contemplated salary increases resulting from this increase in salary ranges has been provided for in the 1958 budget.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Assistant Secretary.

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

Item No. 2
11/27/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 27, 1957



Board of Directors,
Manufacturers and Traders Trust Company,
Buffalo, New York.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors hereby gives its written consent, under the provisions of Section 18(c) of the Federal Deposit Insurance Act, to the merger of The First National Bank of Silver Creek, Silver Creek, New York, with and into Manufacturers and Traders Trust Company, Buffalo, New York, and approves the establishment of a branch by the latter bank at 10 Main Street, Silver Creek, New York, provided (1) the proposed merger is effected substantially in accordance with the plan of merger dated October 3, 1957, submitted through the Federal Reserve Bank of New York, (2) any shares of stock acquired from the dissenting stockholders are disposed of within six months from the date of acquisition, and (3) the merger and establishment of the branch are accomplished within six months from the date of this letter.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Assistant Secretary.

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

Item No. 3
11/27/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 27, 1957



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

Attention Mr. C. C. Fleming,
Assistant Chief National Bank Examiner.

Dear Mr. Comptroller:

Reference is made to a letter from your office dated August 28, 1957, enclosing copies of an application to organize a national bank at Walsenburg, Colorado, and requesting a recommendation as to whether or not the application should be approved. It is understood that the proposed bank is to take over the acceptable assets and assume the deposit liabilities of The First State Bank of Walsenburg.

Information contained in a report of investigation of the application made by an examiner for the Federal Reserve Bank of Kansas City indicates favorable findings on the factors usually considered in connection with such proposals, except with respect to the adequacy of the capital structure and the revaluation of fixed assets to be acquired from the existing bank. It is understood that an agreement was reached that the salary of Chairman Babcock, the principal stockholder in the national bank, will be no more than \$100 a month and that no dividends will be paid until the capital structure of the bank has been built up to \$300,000. With respect to fixed assets, our informant is of the opinion that they should be depreciated not less than \$5,000 per year until eliminated. The Board of Governors recommends approval of the application provided arrangements are made with respect to capital and fixed assets satisfactory to your office.

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) Merritt Sherman

Merritt Sherman,
Assistant Secretary.

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

Item No. 4
11/27/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 27, 1957.

Mr. J. A. Erickson, President,
Federal Reserve Bank of Boston,
Boston, Massachusetts.

Dear Mr. Erickson:

This letter is in answer to your communication of November 7, 1957, advising that, in response to a request from Arthur D. Little, Inc. of Cambridge, Massachusetts, a leave of absence without pay has been granted to Mr. Louis A. Zehner, Assistant Vice President of your Bank, to permit him to assist in a project undertaken by that firm under contract with the International Cooperation Administration to counsel with the Agricultural Credit and Cooperative Financing Administration in the Philippines.

It is understood that Mr. Zehner's leave without pay will be for the period from December 1, 1957 to April 1, 1958; that your Bank will continue to pay its required contribution to the Retirement System and its share of Blue Cross-Blue Shield expense for Mr. Zehner; and that Arthur D. Little, Inc. will pay his expenses while he is working on the project.

The Board of Governors interposes no objection to the arrangement with respect to Mr. Zehner described in your communication.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Assistant Secretary.



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

Item No. 5
11/27/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



November 25, 1957

CONFIDENTIAL (FR)

Mr. Paul C. Stetzelberger,
Vice President,
Federal Reserve Bank of Cleveland,
Cleveland 1, Ohio.

Dear Mr. Stetzelberger:

In accordance with the request contained in your letter of November 19, 1957, the Board approves the appointment of Richard L. McClure as an assistant examiner for the Federal Reserve Bank of Cleveland. Please advise as to the date upon which the appointment is made effective.

It is noted that Mr. McClure is indebted to The First National Bank of Ashland, Ashland, Ohio, in the amount of approximately \$8,000 secured by mortgage on his residence, and approximately \$800 secured by an automobile. Accordingly, the Board's approval is given with the understanding that Mr. McClure will not participate in any examination of The First National Bank of Ashland, Ashland, Ohio, until his indebtedness to the bank has been liquidated.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Assistant Secretary.

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

Item No. 6.
11/27/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 27, 1957

Mr. W. R. Diercks, Vice President,
Federal Reserve Bank of Chicago,
Chicago 90, Illinois.

Dear Mr. Diercks:

In accordance with the request contained in your letter of November 20, 1957, the Board approves the appointment of Talmadge E. Allen as an assistant examiner for the Federal Reserve Bank of Chicago. Please advise the Board if the appointment is not made effective January 6, 1958, as planned.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Assistant Secretary.



TELEGRAM
LEASED WIRE SERVICEBOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTONItem No. 7
11/27/57

November 27, 1957

Fulton - Cleveland

Reurtel today. Board approved, effective November 29, for your Bank (a) rate of 3 per cent on discounts for and advances to member banks under Sections 13 and 13a, (b) other rates as set forth in your telegram of today, and (c) establishment by your Bank without change of remaining rates in Bank's existing schedule.

(Signed) Merritt Sherman

SHERMAN

T E L E G R A M
LEASED WIRE SERVICEBOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTONItem No. 8
11/27/57

November 27, 1957

Dawes - Chicago

Millard - San Francisco

Reurtel today. Board approved, effective November 29, for your Bank (a) rate of 3 per cent on discounts for and advances to member banks under Sections 13 and 13a, (b) other rate as set forth in your telegram of today, and (c) establishment by your Bank without change of remaining rates in Bank's existing schedule.

(Signed) Merritt Sherman

SHERMAN