

Minutes of the Board of Governors of the Federal Reserve System
on Friday, April 25, 1958. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Balderston, Vice Chairman
Mr. Szymczak
Mr. Vardaman
Mr. Mills
Mr. Robertson
Mr. Shepardson

Mr. Carpenter, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Fauver, Assistant Secretary
Mr. Leonard, Director, Division of Bank Operations
Mr. Hackley, General Counsel
Mr. Conkling, Assistant Director, Division of Bank
Operations
Mr. Solomon, Assistant General Counsel

Report on S. 3323 (Item No. 1). There had been distributed to the members of the Board a draft of letter to the Chairman of the Senate Banking and Currency Committee in response to his request for a report on S. 3323, a bill to extend until June 30, 1960, the authorities contained in the Defense Production Act of 1950, as amended. In line with the practice followed on occasions in the past when the Board's views were requested on bills to extend the Defense Production Act, the letter would indicate that the Board had no objection to extension of the authority for the V-loan program in view of its understanding that the Office of Defense Mobilization considered this authority useful to the procuring agencies.

Following a brief discussion, unanimous approval was given to the proposed letter, a copy of which is attached hereto as Item No. 1, with the understanding that a copy would be sent to the Bureau of the Budget.

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Federal Advisory Council topics (Item No. 2). There had been sent to the members of the Board copies of a draft of letter to the Assistant Secretary of the Federal Advisory Council, in response to his letter of April 18, 1958, requesting that the Board suggest topics for discussion **at** the forthcoming meeting of the Council and at the joint meeting of the Board and the Council on May 20, 1958.

The suggested topics were reviewed and certain changes in the wording of some of them were agreed upon. It was also decided to omit the proposed topic which would have asked for comments on the Board's small business financing study and on the small business legislative proposals, in the thought that these subjects could be discussed if the Council should express a desire.

Thereupon, unanimous approval was given to a letter to the Assistant Secretary of the Council in the form attached under Item No. 2.

Designation of Miami as a reserve city (Items 3 through 7).

Under date of April 7, 1958, the executive officers of eight of the nine member banks in Miami, Florida, submitted a letter to the Board requesting an extension for eight months or more beyond May 15, 1958, of the effective date of the designation of Miami as a reserve city. This letter had been circulated to the members of the Board with a summary memorandum from the Division of Bank Operations dated April 9, 1958.

In response to a question, Mr. Leonard stated that review of the matter by the Division of Bank Operations revealed no statistical basis for granting the requested deferment. If, however, the Board

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wished to defer the effective date of the reserve city designation, presumably it could follow the line of reasoning that at a time when reserve requirements were being reduced and the national situation as a whole was one of recession, it would not want to move any bank from a lower to a higher reserve requirement level. Question had been raised within the Division whether deferment of the effective date of the Miami designation on such a basis would be equitable from the standpoint of other member banks in reserve cities, Mr. Leonard said, but the answer might be that there is quite a difference between fixing reserve requirements for an entire class of member banks and deferring an actual increase in reserve requirements involving a shift in the status of a particular city.

In the discussion which ensued, Governor Vardaman said his only regret was that the Board did not act one way or the other on the matter regardless of the opinion of the Miami member banks. In other words, he felt that it would have been appropriate for the Board to take the initiative rather than the member banks. When he first raised the question, he said, it was with a view to preventing the Board from being in a position where it was raising substantially the requirements for banks in a single city at a time when it was reducing reserve requirements for member banks throughout the country as a whole and when the posture of the country was one of recession rather than inflation. However, for the reason which he stated at the meeting on March 31, 1958, he wished to withdraw from participation in further discussion of the Miami situation.

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Governor Mills stated that the letter from the Miami banks was couched in language which carried the strong implication that a concession at this time would be likely to result in a request for further deferment of the effective date. Therefore, although his feelings were mixed, it was his present thought that, with the Miami banks having been given advance notice, the Board's previous decision should stand.

Governor Robertson said that he saw nothing in the picture which would justify a further delay in making the reserve city designation effective. The Board's decision was made a long time ago and on the basis of a past record. Also, he said, the recession was not being felt to the same extent in all parts of the country, and the State of Florida had not been affected to the same extent as certain other sections, for example, Detroit or Western Pennsylvania. In these circumstances, it would be unfair not to make the Board's general rule for the classification of reserve cities applicable in this case. Accordingly, in the absence of arguments justifying deferment of the effective date he would favor going ahead as originally planned. Governor Robertson concluded by saying that he did not think a case for deferment was made in the letter which had been received from the Miami banks.

Governor Shepardson observed that if the Board had taken the initiative some time ago a case for extension of the effective date might have been made. However, the affected banks had been given due notice and, if he understood correctly the information compiled by the Division

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of Bank Operations, they had been preparing for the shift to higher reserve requirements, so that it should be possible for them to make the change without severe burden. As to the economic situation in the area, weather disturbances affecting fruit and crops are quite frequent and there is a tendency to come out of the situation rather quickly. Also, the conditions in the area generally would not appear comparable to those in the industrial areas caught in the current economic downturn; to begin with, the State is more of a speculative area. On balance, he did not think that the question of the effective date was of too much importance. However, with the time having passed when a deferment might have been granted more advantageously, he would be inclined to stand on the earlier decision.

Governor Szymczak stated that he also would favor standing on the earlier decision.

Governor Balderston then asked certain questions of Mr. Leonard who responded that, leaving aside all other considerations, adjustment to a higher level of reserve requirements could probably be effected most easily by the Miami banks between the first of October and the first of November due to the seasonal pattern of deposits in that area. It was pointed out, however, that the earlier decision of the Board regarding the effective date had been in terms which gave the Miami banks a long period of time to make the necessary adjustments.

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Although it was clearly the consensus of the Board that the earlier decision should stand, question was raised whether formal action should be deferred in order to allow Chairman Martin to participate. It was decided, however, that this need not be done and that the Chairman, if called upon, could state that the Board had made its decision.

Thereupon, it was agreed, Governor Vardaman not participating in the decision for the reason he had stated, to deny the request for deferment beyond May 15, 1958, of the effective date of the designation of Miami as a reserve city.

Consideration then was given to proposed letters which had been circulated to the members of the Board which would grant the requests of the Dade National Bank of Miami, the Miami National Bank, and the Little River Bank and Trust Company to continue to maintain the reserves required for country banks when Miami becomes a reserve city, effective May 15, 1958, but would deny the similar request of the Metropolitan Bank of Miami because of its location in the downtown business and financial district of the city.

The action recommended in the case of each of the four banks was approved unanimously.

To carry the foregoing actions of the Board into effect, it was understood that appropriate identical letters would be sent, through the Federal Reserve Bank of Atlanta, to each of the five member banks in Miami that would be affected by the classification of that city as a

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reserve city. A copy of the letter sent to the First National Bank of Miami pursuant to this understanding is attached to these minutes as Item No. 3. Copies of the letters to the four member banks that had requested permission to continue to carry lower reserves, also sent through the Federal Reserve Bank of Atlanta, are attached under Items 4 through 7, inclusive. The three banks granted such permission were each sent a copy of the letter reflecting the Board's decision on the effective date of the reserve city designation.

The meeting then adjourned.

Secretary's Notes: Pursuant to the recommendations contained in memoranda from appropriate individuals concerned, Governor Shepardson today approved on behalf of the Board appointment of the following persons to the Board's staff, effective in each case on the date of assuming duties:

Robert M. Fisher as Economist in the Division of Research and Statistics, with basic annual salary at a rate not less than \$8,500 but within the range of Salary Group V (presently \$7,570-\$8,645), with the understanding that a recommendation regarding the specific rate of salary would be submitted to the Board for approval before the date on which Mr. Fisher assumes his duties.

Frances B. Lorenzo as Charwoman in the Division of Administrative Services, with basic annual salary at the rate of \$2,600.

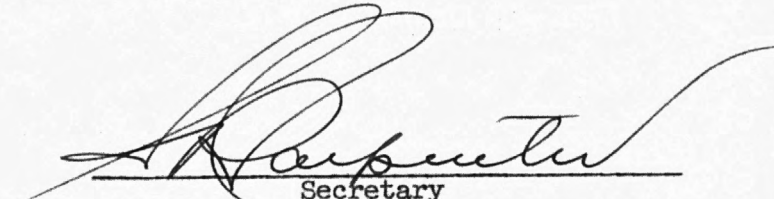
Governor Shepardson also approved today on behalf of the Board the following items:

Letter to the Presidents of all Federal Reserve Banks stating that the Board's staff is planning to begin a gradual revision of the Federal Reserve Loose-leaf Service and that any suggestions or comments the Reserve Banks may have to offer relative to improvement of the Service would be appreciated, including suggestions for material that should be eliminated.

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Telegram to the Federal Reserve Bank of Richmond approving the designation of Wm. H. Gentry, Jr., as special assistant examiner. A copy of the telegram is attached as Item No. 8.



Secretary

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 1
4/25/58

OFFICE OF THE VICE CHAIRMAN

April 25, 1958

The Honorable J. W. Fulbright, Chairman,
Senate Banking and Currency Committee,
United States Senate,
Washington 25, D. C.

Dear Senator Fulbright:

This is in response to your request of February 26, 1958, for a report on the bill, S. 3323, which would extend until June 30, 1960, the authorities contained in the Defense Production Act of 1950, as amended.

The only provisions of the Defense Production Act of 1950 which relate directly to the responsibilities of the Board are contained in Title III, relating to Government-guaranteed loans for defense production under the Board's Regulation V. It is understood that the Office of Defense Mobilization considers that this authority is useful particularly to the procuring agencies as a means of assisting their contractors in securing working capital and additional equipment needed for the performance of defense contracts. The Board would, therefore, have no objection to an extension of this program for an additional two years as provided by the bill.

Sincerely yours,

CC Balderston

C. Canby Balderston,
Vice Chairman.

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

Item No. 2
4/25/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 25, 1958



Mr. William J. Korsvik,
Assistant Secretary,
Federal Advisory Council,
c/o The First National Bank of Chicago,
P. O. Box A,
Chicago 90, Illinois.

Dear Mr. Korsvik:

In response to the request contained in your letter of April 18, the Board of Governors would suggest that the following topics be placed on the agenda of the Federal Advisory Council for discussion at its forthcoming meeting on May 19-20 and at the joint meeting of the Council and the Board on May 20.

1. What are the views of the Council regarding (a) the current business situation, (b) the prospects for the next six months, and (c) the seriousness and duration of the recession.

2. What effect are the easing of the credit situation and the steps taken by the Government to liberalize the terms of Government sponsored mortgage credit having on residential construction.

3. What is the prospect for downward adjustments in prices over the next three months.

4. What are the developments in interest rates on loans and on time and savings deposits.

5. What are the Council's views as to an appropriate credit policy between now and the next meeting of the Federal Advisory Council.

6. In April the Board reduced reserve requirements of central reserve and reserve city banks for the purpose of supplying additional reserves. It has been alleged that the needs of the money markets would have been more effectively served if these reserves had been supplied through the medium of open market operations. What are the Council's views.

Mr. William J. Korsvik

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7. The Board will be glad to have any comments that the members of the Council might wish to make with respect to the bill introduced in the Congress at the Board's request which would amend the law relating to reserve requirements of member banks.

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
4/25/58



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 29, 1958

Mr. Comer J. Kimball,
Chairman of the Board,
First National Bank of Miami,
Miami, Florida.

Dear Mr. Kimball:

This refers to a letter dated April 7, 1958, signed by you and by officers of seven other Miami member banks, requesting the Board of Governors to extend for eight months or more beyond May 15, 1958, the effective date for the classification of the city of Miami as a reserve city.

The Board has given careful consideration to the request but feels that in all the circumstances it would not be justified in making a further extension of the effective date. Identical letters are being sent to the five banks that will become reserve city banks on May 15, 1958:

- The First National Bank of Miami
- Florida National Bank and Trust Company at Miami
- Industrial National Bank of Miami
- Metropolitan Bank of Miami
- Pan American Bank of Miami

A copy is being sent to the following three banks which, under the provisions of Section 19 of the Federal Reserve Act, the Board is granting permission to continue to carry country bank reserves when Miami becomes a reserve city on May 15, 1958:

- Dade National Bank of Miami
- Little River Bank and Trust Company
- Miami National Bank

Earlier this year, the Board granted similar permission to the Boulevard National Bank.

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. 4
4/25/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 29, 1958

Mr. Howard F. Dale, President,
Dade National Bank of Miami,
1550 Biscayne Boulevard,
Miami, Florida.

Dear Mr. Dale:

Pursuant to your request submitted through the Federal Reserve Bank of Atlanta, the Board of Governors, acting under the provisions of Section 19 of the Federal Reserve Act, grants permission to your bank to continue to maintain the same reserves against deposits as are required to be maintained by banks located outside of central reserve and reserve cities when Miami becomes a reserve city as of May 15, 1958.

Your attention is called to the fact that such permission is subject to revocation by the Board of Governors of the Federal Reserve System.

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. 5
4/25/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 29, 1958



Mr. Harold Thurman, President,
Miami National Bank,
Biscayne Boulevard at 81st Street,
Miami, Florida.

Dear Mr. Thurman:

Pursuant to your request submitted through the Federal Reserve Bank of Atlanta, the Board of Governors, acting under the provisions of Section 19 of the Federal Reserve Act, grants permission to your bank to continue to maintain the same reserves against deposits as are required to be maintained by banks located outside of central reserve and reserve cities when Miami becomes a reserve city as of May 15, 1958.

Your attention is called to the fact that such permission is subject to revocation by the Board of Governors of the Federal Reserve System.

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. 6
4/25/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 29, 1958

Mr. James G. Garner,
Chairman of the Board and President,
Little River Bank and Trust Company,
Corner N. E. 2nd Avenue and 80th Terrace,
Miami 38, Florida.

Dear Mr. Garner:

Pursuant to your request submitted through the Federal Reserve Bank of Atlanta, the Board of Governors, acting under the provisions of Section 19 of the Federal Reserve Act, grants permission to your bank to continue to maintain the same reserves against deposits as are required to be maintained by banks located outside of central reserve and reserve cities when Miami becomes a reserve city as of May 15, 1958.

Your attention is called to the fact that such permission is subject to revocation by the Board of Governors of the Federal Reserve System.

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. 7
4/25/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 29, 1958

Mr. G. James Hughes, President,
Metropolitan Bank of Miami,
117 Northeast First Avenue,
Miami 32, Florida.

Dear Mr. Hughes:

The Federal Reserve Bank of Atlanta and the Board of Governors have reviewed your letters of February 5 and February 19, 1958, requesting permission to continue to maintain the same reserves against deposits as are required to be maintained by banks located outside of central reserve and reserve cities when Miami becomes a reserve city as of May 15, 1958.

Sympathetic consideration has been given to the application and to the views of your Board of Directors. However, since your bank is located in the downtown business and financial district of Miami and Section 19 of the Federal Reserve Act requires that, to be eligible for such permission, a bank must be "located in the outlying districts of a reserve city or in territory added to such a city by the extension of its corporate charter," the Board has no other alternative than to deny your bank's application.

The Board has requested legislation, and the Chairmen of the House and Senate Banking Committees introduced a bill on April 3, which would permit the Board to lower the requirements of member banks on the basis of the character of the business transacted rather than on their location. Should this legislation be enacted, the Board will, of course, be glad to reconsider your bank's application.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.

T E L E G R A M
LEASED WIRE SERVICEBOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTONItem No. 8
4/25/58

April 25, 1958

ARMISTEAD - RICHMOND

Reurtel April 25, 1958, Board approves designation of
Wm. H. Gentry, Jr., as special assistant examiner for
the Federal Reserve Bank of Richmond to participate in
examinations of State member banks only.

(Signed) S. R. Carpenter

CARPENTER