

Minutes for June 10, 1958

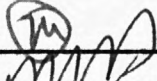
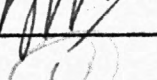
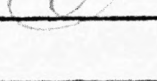
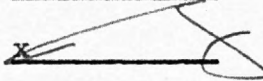
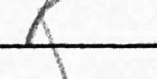
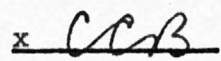
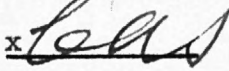
To: Members of the Board

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 	_____
Gov. Szymczak	x 	_____
Gov. Vardaman	x 	_____
Gov. Mills	_____	x 
Gov. Robertson	x 	_____
Gov. Balderston	_____	x 
Gov. Shepardson	x 	_____

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

PRESENT: Mr. Martin, Chairman  
Mr. Szymczak  
Mr. Vardaman  
Mr. Robertson  
Mr. Shepardson

Mr. Carpenter, Secretary  
Mr. Kenyon, Assistant Secretary  
Mr. Leonard, Director, Division of  
Bank Operations  
Mr. Shay, Legislative Counsel  
Mr. Hexter, Assistant General Counsel  
Mr. Walter Young, Assistant Counsel

Discount rates. Unanimous approval was given to telegrams to the Federal Reserve Banks of New York, Philadelphia, Cleveland, St. Louis, Minneapolis, and Dallas approving the establishment without change by those Banks on June 5, 1958, of the rates on discounts and advances in their existing schedules.

Report on H.R. 12586 (Item No. 1). The Board had received a request from the House Banking and Currency Committee for a report on H.R. 12586, a bill to amend section 14(b) of the Federal Reserve Act so as to extend until June 30, 1960, the present authority of the Federal Reserve Banks to purchase United States obligations directly from the Treasury. Under existing law this authority would terminate on June 30, 1958.

The suggested reply, which had been distributed to the members of the Board with a memorandum from Mr. Walter Young dated June 9, 1958, would take essentially the same position as stated in letters to the Bureau of the Budget in 1954 and 1956 concerning bills of a similar nature.

6/10/58

-2-

The proposed reply would also point out that there had been a number of temporary extensions of the authority of the Federal Reserve Banks to purchase United States obligations directly from the Treasury since the authority was first granted in 1942.

Mr. Young reported a change in the draft of letter which had been suggested by Governor Mills, and agreement was expressed with the suggested change.

Thereupon, unanimous approval was given to a letter to the Chairman of the House Banking and Currency Committee in the form attached as Item No. 1, with the understanding that a copy would be sent to the Budget Bureau as a matter of information.

All of the members of the staff except the Secretary then withdrew from the meeting.

Charlotte Branch matter. Chairman Martin reported receipt in his office on the afternoon of June 6 of a letter dated April 28, 1958, transmitting a copy of a letter addressed to the Federal Reserve Bank of Richmond under the same date by officers of the First Baptist Church, Charlotte, North Carolina, in which they commented on an interview with Mr. Cherry, Vice President in charge of the Branch, with respect to employment policies. At the request of the Chairman, the Secretary related the substance of his telephone conversation with Mr. Wayne, First Vice President of the Federal Reserve Bank of Richmond, regarding the letter and the reply made by the Reserve Bank under date of May 23, 1958, a copy of which was dictated by Mr. Wayne's secretary during the telephone conversation. At Chairman Martin's suggestion, it was understood

6/10/58

-3-

that the file would be circulated among the members of the Board and that the matter would be given further consideration at the meeting of the Board tomorrow.

Louisville Branch matter. The Chairman also called attention to a memorandum addressed to him by Mr. Leonard under date of June 6, 1958, commenting on a press story concerning Congressman Patman's criticism of an expenditure of \$26,000 for a mural and sculptured piece in the Louisville Branch. The matter was discussed briefly and there was agreement with the Chairman's suggestion that the memorandum be circulated to the other members of the Board.

The meeting then adjourned.

Secretary's Notes: Pursuant to recommendations contained in memoranda from appropriate individuals concerned, Governor Shepardson approved on behalf of the Board on June 6, 1958, the following items affecting the Board's staff:

#### Appointments

Robert L. Gustafson 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 Groups U or V (presently \$6,390-7,465 and \$7,570-8,645, respectively), 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. Gustafson assumes his duties.

June E. Farrell as Clerk-Stenographer in the Division of Personnel Administration, with basic annual salary at the rate of \$3,415, effective the date on which she assumes her duties.

6/10/58

-4-

Salary increases

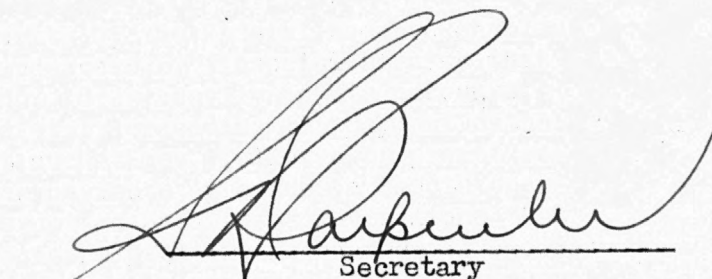
Caroline M. Burgess, from \$6,250 to \$6,390 per annum, with change in title from Librarian to Assistant Chief Librarian, Division of Research and Statistics, effective June 15, 1958.

Dorothy Mosher, Charwoman, Division of Administrative Services, from \$3,050 to \$3,125 per annum, effective June 15, 1958.

Transfer

Judith J. McGrain, from the position of Clerk-Stenographer in the Division of Personnel Administration to the position of Clerk-Stenographer in the Division of Bank Operations, with no change in her basic annual salary at the rate of \$3,500, effective the date she assumes her new duties.

Governor Shepardson approved today on behalf of the Board a letter to the Federal Reserve Bank of Chicago approving the designation of eleven persons as special assistant examiners. A copy of the letter is attached as Item No. 2.



Secretary



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

Item No. 1  
6/10/58

OFFICE OF THE CHAIRMAN

June 10, 1958.

The Honorable Brent Spence, Chairman,  
House Banking and Currency Committee,  
House of Representatives,  
Washington 25, D. C.

Dear Mr. Spence:

This is in response to your letter of June 4, 1958, requesting a report on H.R.12586, a bill "To amend section 14(b) of the Federal Reserve Act, as amended, to extend for two years the authority of Federal Reserve banks to purchase United States obligations directly from the Treasury".

The bill would extend for two years the present authority of the Federal Reserve Banks to purchase Government obligations directly from the United States. Under existing law, the authority will terminate on June 30, 1958.

The use of this authority by the Federal Reserve enables the Treasury to avoid creating unnecessary financial strains that would otherwise occur if it had to draw heavily on its accounts, especially during periods immediately preceding tax payment dates. Temporary Treasury borrowing at such times, followed by prompt repayment from the proceeds of tax payments, provides a smooth operating mechanism, without the abrupt money market fluctuations that would otherwise occur, and thus is helpful in the conduct of Federal Reserve policy. Use of this procedure is reported, as required by law, each year in detail in the Board's annual report. The Board, therefore, recommends enactment of the bill.

Temporary authority to make purchases of United States obligations directly from the Treasury was granted in The Second War Powers Act, approved March 27, 1942. A series of temporary extensions--1944, 1945, 1946, 1947, 1950, 1952, 1954 and 1956--has continued this authority down to the present expiration date of June 30, 1958. The Board has favored each one of these extensions for the reasons stated in the preceding paragraph.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.

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

Item No. 2  
6/10/58

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

June 10, 1958



CONFIDENTIAL (FR)

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 June 4, 1958, the Board approves the designation of the following named individuals as special assistant examiners for the Federal Reserve Bank of Chicago to assist in examinations of State member banks only:

Ronald J. Bussey	Jack F. McNally
Anthony Colucci	Raymond A. Reame
Harry E. Johnston	Donald W. Ruff
John R. Kozak	Albin Schindler
G. Richard Mayrend	Donald A. Wirries
Patrick J. Garvey	

It is noted that Mr. Garvey is indebted to The Commercial and Savings Bank of St. Clair, St. Clair, Michigan, a State member bank. Accordingly, the Board's approval of Mr. Garvey's designation is given with the understanding that he will not participate in any examinations of that bank.

The authorizations heretofore given your bank to designate Percival R. Guilder and Richard A. Hardoin as special assistant examiners are hereby cancelled.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,  
Secretary.