

Minutes for July 6, 1959.

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>(M)</u>	<u>MT</u>
Gov. Szymczak	<u> </u>	x <u> </u>
Gov. Mills	x <u> </u>	<u> </u>
Gov. Robertson	<u> </u>	x <u>R</u>
Gov. Balderston	x <u>CCB</u>	<u> </u>
Gov. Shepardson	<u> </u>	<u> </u>
Gov. King	x <u> </u>	<u> </u>

Minutes of the Board of Governors of the Federal Reserve System
on Monday, July 6, 1959. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Riefler, Assistant to the Chairman
Mr. Thomas, Economic Adviser to the Board

Messrs. Young, Noyes, Robinson, Altmann, Brill,
Eckert, Fisher, Landry, Trueblood, and
Wernick, and Miss Dingle of the Division of
Research and Statistics

Messrs. Marget, Furth, Hersey, Irvine, Katz,
Maroni, and Summers of the Division of
International Finance

Economic review. The Division of International Finance presented a review of recent international financial and trade developments, with particular reference to their impact upon the United States balance of payments, following which the Division of Research and Statistics presented a summary of domestic economic developments.

At the conclusion of the economic presentation all of the staff members of the Divisions of Research and Statistics and International Finance withdrew from the meeting. Mr. Riefler also withdrew and Messrs. Hackley, General Counsel, Benner and Smith, Assistant Directors, Division of Examinations, and Young, Assistant Counsel, entered the room along with Messrs. Farrell, Director, and Conkling, Assistant Director, Division of Bank Operations.

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Discount rates. The establishment without change by the Federal Reserve Banks of New York and Philadelphia on July 2, 1959, of the rates on discounts and advances in their existing schedules was approved unanimously, with the understanding that appropriate advice would be sent to those Banks.

Federal Deposit Insurance Corporation assessment base. In a memorandum distributed to the Board under date of July 1, 1959, Mr. Conkling discussed the history of and reasons for proposed amendments to the Federal Deposit Insurance Act to provide a call report assessment base. This matter had been the subject of consideration at a number of staff conferences involving representatives of the three Federal bank supervisory agencies and a current, but still incomplete, draft of the proposed amendments was handed to Chairman Martin at a meeting on June 30, 1959, which was attended also by the Comptroller of the Currency and the Chairman of the Federal Deposit Insurance Corporation. Copies of the revised draft of the proposed amendments were available at this meeting along with certain related papers.

As explained by Chairman Martin, a difference of opinion between the Comptroller of the Currency and the Federal Deposit Insurance Corporation related to the section of the proposed amendments having to do with the method of selection of call dates. According to the present laws the Comptroller of the Currency, the

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Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation are authorized to make calls upon national banks, State member banks, and nonmember insured banks, respectively. In practice, however, it has always been the custom for the Comptroller of the Currency to decide call dates and for the Board of Governors and the Federal Deposit Insurance Corporation to use the same dates, except that the practice of the Corporation has been to make only June and December calls. As prepared by the Federal Deposit Insurance Corporation, the proposed amendments to the Federal Deposit Insurance Act contained provisions to the effect that four calls for reports of condition would be made each year upon dates to be selected, within certain limitations, by the Comptroller of the Currency, the Chairman of the Board of Governors, and the Chairman of the Board of Directors of the Corporation. The Comptroller of the Currency did not look with favor upon these provisions and proposed an alternative pursuant to which four calls would be made annually upon all insured banks on dates to be selected by the Comptroller, and within certain differently defined time limitations. A third alternative, suggested by the Federal Deposit Insurance Corporation, would modify the Comptroller's proposal to provide that the call dates were to be selected by the Comptroller, the Chairman of the Board of Governors, and the Chairman of the Board of Directors of the Corporation.

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Chairman Martin said that he had taken no position during the conversation on the subject between the Comptroller and the Chairman of the Federal Deposit Insurance Corporation and had simply stated that he would bring the matter to the attention of the Board.

During the discussion that ensued, several of the members of the Board expressed doubt as to the necessity for including in the proposed amendments to the Federal Deposit Insurance Act provisions with respect to the selection of call dates. It was noted, however, that there appeared to be a desire on the part of the Federal Deposit Insurance Corporation to include provisions relating to this point. While the reason for this sentiment was not entirely clear, the possibility was mentioned that the Corporation did not look with sympathy upon the fact that the Comptroller recently had made mid-year calls on dates other than the last day of the month. Although, as indicated above, the members of the Board were inclined to question the need for any change in the present law, it was agreed that, of the three alternatives suggested for inclusion in the proposed amendments to the Federal Deposit Insurance Act, the Board would prefer either of the alternatives providing for selection of the call date by the heads of the three Federal supervisory agencies rather than the proposal of the Comptroller of the Currency. One reason cited in support of this view was that it would seem undesirable to include

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in the law a provision that the Comptroller of the Currency would fix the dates on which calls were to be made upon all insured banks, both national and State.

Chairman Martin was authorized to state on behalf of the Board the views expressed at this meeting.

Messrs. Benner and Conkling then withdrew and Mr. Johnson, Director, Division of Personnel Administration, entered the room.

Crowe matter (Item No. 1). In accordance with the discussion at the Board meeting on June 30, 1959, there were distributed copies of a memorandum from Messrs. Smith and Young dated July 6, 1959, regarding their recent trip to St. Louis, Missouri, for the purpose of meeting with Mr. Eugene B. Crowe, a former employee of the Federal Reserve Bank of St. Louis, to receive his comments regarding the purported mishandling of a V-loan by the Reserve Bank. On the occasion of their visit to St. Louis, Messrs. Smith and Young also reviewed the pertinent files at the Reserve Bank. For reasons stated in the memorandum, which has been placed in the Board's files, it was their conclusion that any implication of misfeasance or malfeasance on the part of the Reserve Bank in discharging its responsibility with regard to the V-loan to Missouri Research Laboratories, Inc., was unfounded and without substance.

Following comments by Mr. Smith, Mr. Hackley read, at the request of Governor Balderston, a draft of letter that might be sent

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to Mr. Crowe. After minor changes in the draft had been agreed upon, unanimous approval was given to a letter in the form attached as Item No. 1, with the understanding that a copy would be sent to President Johns of the Federal Reserve Bank of St. Louis and that the disposition of the matter would be indicated to Mr. Johns when he was in the Board's offices tomorrow.

All of the members of the staff except Messrs. Sherman and Johnson then withdrew from the meeting.

Proposed personnel changes at Chicago Reserve Bank. In line with the discussion at the meeting of the Board on June 17, 1959, which was attended by President Allen of the Federal Reserve Bank of Chicago, there had been received from Mr. Allen a draft of letter that he would propose to send to the Board on July 9, 1959, if the Chicago directors, at their meeting on that date, approved certain appointments to official positions at the Bank, subject to the approval of the Board of Governors. Copies of this proposed letter had been distributed to the Board with a memorandum from the Division of Personnel Administration dated July 1, 1959. Also submitted therewith was a draft of letter that might be sent to President Allen upon receipt of advice from him that the letter he had submitted in draft was being transmitted in final form. In the Board's letter, approval would be given to (1) the appointment of Charles J. Scanlon as First Vice President of the Reserve Bank effective September 1, 1959, to succeed Mr. Harris for the unexpired

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portion of the five-year term which began March 1, 1956, (2) payment of salary to Mr. Scanlon at the rate of \$22,500 per annum for the period September 1 through December 31, 1959, (3) the payment of salaries at specified annual rates for the period September 1 to December 31, 1959, to Leland M. Ross as Chief Examiner, Harry S. Schultz as Vice President, Carl E. Bierbauer as Assistant Vice President, and John J. Capouch as Assistant Cashier, (4) the appointment of Vice President Hugh J. Helmer as an examiner effective September 1, 1959, and (5) reemployment of Vice President Wilford R. Diercks from his retirement on October 1, 1959, to October 1, 1960, with compensation based on the difference between his present annual salary rate and the pension portion of his retirement allowance.

After discussion, it was agreed unanimously that the proposed letter should be sent to President Allen upon receipt of advice from him that the contemplated actions had been taken by the Board of Directors of the Chicago Reserve Bank.

Messrs. Sherman and Johnson then withdrew and the Board went into executive session.

Following the meeting, Governor Shepardson informed the Secretary that the Board had acceded to a request from Mr. Masters that, for reasons of health, he be relieved of his responsibilities as Director of the Division of Examinations, such action to be

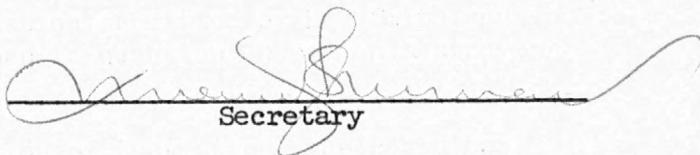
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effective July 31, 1959; that Mr. Masters had been appointed Associate Director of the Division of Examinations, effective August 1, 1959, with no change in his present salary; and that Frederic Solomon, presently Assistant General Counsel, had been appointed Director of the Division of Examinations with salary at the rate of \$18,000 per annum, such appointment and salary to be effective August 1, 1959.

The meeting then adjourned.

Secretary's Note: Governor Shepardson today approved on behalf of the Board acceptance of the resignation of Mary A. Weikel, Substitute Telephone Operator, Division of Administrative Services, effective July 6, 1959.



Secretary

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

Item No. 1
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ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 6, 1959



Mr. Eugene B. Crowe,
Apartment 808,
4166 Lindell Boulevard,
St. Louis 8, Missouri.

Dear Mr. Crowe:

The Board has received a report by Mr. James C. Smith and Mr. Walter H. Young, members of the Board's staff, regarding their meeting with you in St. Louis on June 25, 1959, at which, in accordance with previous arrangements, there was discussion of the suggestions contained in your previous correspondence that a V-loan was improperly handled by the Federal Reserve Bank of St. Louis. The Board has also reviewed information submitted by Mr. Smith and Mr. Young with respect to the V-loan in question, based on a study of the files in that case.

After careful consideration of the matter, the Board has found no indication that the Federal Reserve Bank of St. Louis or any of its officers in any way acted improperly in carrying out the Reserve Bank's functions as agent for the Department of the Air Force which guaranteed the loan involved. It appears that, on the contrary, the Reserve Bank acted entirely in accordance with the Board's Regulation V and with the instructions and approval of the Air Force. Moreover, the record contains no evidence that either the financing institution that made the loan, the Government department guaranteeing the loan, or the borrower itself was at any time critical of the manner in which the Reserve Bank performed its functions in this case.

Very truly yours,

Merritt Sherman,
Secretary.