

Minutes for July 20, 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	<u> </u>	<u> </u>
Gov. Szymczak	<u>x</u> <u>MS</u>	<u>x</u> <u>MS</u>
Gov. Mills	<u>x</u> <u> </u>	<u> </u>
Gov. Robertson	<u>x</u> <u> </u>	<u> </u>
Gov. Balderston	<u>x</u> <u>CB</u>	<u> </u>
Gov. Shepardson	<u>x</u> <u> </u>	<u> </u>
Gov. King	<u>x</u> <u> </u>	<u> </u>

Minutes of the Board of Governors of the Federal Reserve System
on Monday, July 20, 1959. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
Mr. Thomas, Economic Adviser to the Board
Mr. Hackley, General Counsel
Mr. Farrell, Director, Division of Bank
Operations
Mr. Shay, Legislative Counsel
Mr. Young, Assistant Counsel

Discount rates. The establishment without change by the Federal Reserve Banks of New York and Philadelphia on July 16, 1959, and by the Federal Reserve Bank of Minneapolis on July 17, 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.

Items circulated or distributed to the Board. The following items, which had been circulated or distributed to the Board and copies of which are attached to these minutes under the respective item numbers indicated, were approved unanimously:

Item No.

Letter to the Bureau of the Budget with respect to enrolled bill S. 1120, relating to member bank reserve requirements.

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Letter to the Bureau of the Budget with respect to enrolled bill H. R. 7789, to amend paragraph (b) of section 401 of the National Housing Act.

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Item No.

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Letter to the Federal Reserve Bank of Richmond regarding the retention of R. L. Honeycutt, Assistant Cashier, for two months beyond scheduled retirement.

In connection with Item No. 1, Governor Robertson raised the question whether it was desirable to include in the letter any comment other than that the Board recommended approval of the bill, S. 1120, relating to bank reserves. Other members of the Board expressed the view that it would be desirable to send the letter in the form of the draft submitted, particularly since legislation on this subject had been introduced at the Board's request, and subsequently had been modified by the Congress in a manner differing from that suggested by the Board. Accordingly, the letter was approved in the form of attached Item No. 1.

Letter from Congressman Patman. There had been distributed before this meeting a letter to Chairman Martin from Congressman Patman dated July 17, 1959, requesting information concerning bank reserves, as expressed in eleven numbered questions contained in Mr. Patman's letter. Following a brief discussion, it was understood that the staff would prepare a draft of reply for the consideration of the Board.

Messrs. Thomas, Shay, and Farrell withdrew from the meeting at this point.

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Appointment of director at New Orleans Branch. At the meeting on July 16, 1959, the Board agreed to request Chairman Mitchell of the Federal Reserve Bank of Atlanta to ascertain whether Dr. Robert W. French, Vice President of Tulane University, would be eligible to serve as a director of the New Orleans Branch and whether, if eligible, he would be willing to accept appointment, if tendered, for the unexpired portion of the term ending December 31, 1961. In a telegram dated July 16, 1959, Mr. Bryan, President of the Atlanta Bank, reported that at Chairman Mitchell's request he had checked with Mr. Shaw, Vice President of the New Orleans Branch, and learned that Dr. French had resigned his connection with Tulane University and accepted a full-time appointment as Director and Chief Executive Officer of the Port of New Orleans. Mr. Bryan's telegram raised the question whether, in view of this change in Dr. French's status, the public nature of his office might serve to disqualify him as being inconsistent with the December 23, 1915, resolution of the Board regarding the holding of political office by Reserve Bank directors. Mr. Bryan added that Dr. French had not yet been approached regarding whether he would accept the appointment if tendered.

A memorandum from Mr. Walter Young, dated July 20, 1959, pointed out that the question involved in the possible appointment of Dr. French was entirely a question of policy for determination by the Board since

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there was no statutory provision that would forbid the service in question. The memorandum noted that the Director of the Port of New Orleans apparently was appointed by the Board of Commissioners of the Port and that these Commissioners were appointed by the Governor of the State of Louisiana without consent of the State Legislature. The memorandum also stated that it seemed evident that service as Director of the Port was a full-time job, probably with substantial compensation.

In commenting on the Legal Division's memorandum, Mr. Hackley stated that in applying the 1915 resolution, the Board had made a number of exceptions, as in the case of a Class A director of the Federal Reserve Bank of New York in 1951 when he was appointed a Commissioner of the Port of New York Authority. In that case, however, the Commissioners served without compensation, which distinguished their service from the position of Dr. French, who apparently served in a full-time capacity and received substantial compensation. Mr. Hackley also noted Mr. Bryan's comment that the policies of the Port of New Orleans Board were subject to public discussion and occasional controversy.

After a discussion of all available information concerning the nature of the position held by Dr. French, the Board agreed that it would not be appropriate to tender him an appointment as a director of the New Orleans Branch in view of possible political implications

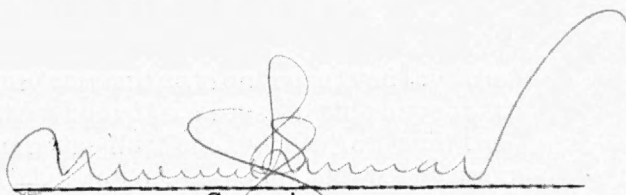
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of the office that he now holds and that, accordingly, additional names should be reviewed for possible appointment to the unexpired portion of the term for which Dr. French had been considered.

The meeting then adjourned.

Secretary's Note: Governor Shepardson today approved on behalf of the Board a letter to the Federal Reserve Bank of Dallas (attached Item No. 4) approving the designation of George W. Saunders, Carrol E. Duke, George W. Stover, Roy S. Stapleton, Jr., and Marvin C. McCoy as special assistant examiners.


Secretary

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

Item No. 1
7/20/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 20, 1959.



Mr. Phillip S. Hughes,
Assistant Director for
Legislative Reference,
Bureau of the Budget, Room 253,
Executive Office Building,
Washington 25, D. C.

Attention: Mrs. Garziglia

Dear Mr. Hughes:

This is in response to your communication received by the Board on July 17, 1959, requesting the Board's views with respect to the enrolled bill, S. 1120, "To amend the National Bank Act and the Federal Reserve Act with respect to the reserves required to be maintained by member banks of the Federal Reserve System against deposits and to eliminate the classification 'central reserve city'."

Those provisions of the bill that authorize the Board to permit member banks to count vault cash as part of their reserves and to permit individual member banks in certain circumstances to carry reduced reserves would, in the Board's opinion, be desirable in the interests of more flexible and equitable administration of provisions of the law relating to reserves of member banks of the Federal Reserve System. These provisions are in accordance with recommendations heretofore made by the Board to Congress.

The Board did not recommend, and has expressed its opposition to, provisions of the bill that would abolish central reserve cities; and the Board continues to feel that these provisions are undesirable. Nevertheless, because of the desirable features of the bill above mentioned, the Board recommends that the legislation be approved by the President.

Very truly yours,

Merritt Sherman,
Secretary.

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

Item No. 2
7/20/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 20, 1959.

Mr. Phillip S. Hughes,
Assistant Director for
Legislative Reference,
Bureau of the Budget, Room 253,
Executive Office Building,
Washington 25, D. C.

Attention: Mrs. Garziglia

Dear Mr. Hughes:

This is in response to your communication of July 16, 1959,
requesting the views of the Board on the enrolled bill, H.R. 7789,
"To amend paragraph (b) of section 401 of the National Housing Act,
as amended."

It is understood that the purpose of this legislation is to
correct an inequity which exists under present law with respect to
insurance of savings accounts by the Federal Savings and Loan Insurance
Corporation in States where there are community property laws. Appar-
ently, in such jurisdictions an account in the name of the husband, an
account in the name of the wife, and an account in the name of both
may all be community property and insured in the total maximum amount
of \$10,000, while in common law States in a similar situation, insurance
in the total maximum amount of \$30,000 may be provided. The enrolled
bill, it is understood, would permit in the above situation insurance
of accounts in community property States in the same amount as in
common law States.

This is to advise you that the Board has no objection to this
legislation.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.



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

Item No. 3
7/20/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 20, 1959.

Mr. Alonzo G. Decker, Jr.,
Chairman of the Board,
Federal Reserve Bank of Richmond,
Richmond 13, Virginia.

Dear Mr. Decker:

In view of the circumstances outlined in your letter of July 9, 1959, the Board of Governors interposes no objection to the retention in service of Mr. R. L. Honeycutt, Assistant Cashier at the Charlotte Branch, until November 1, 1959, two months beyond his scheduled retirement date, and the payment of salary to Mr. Honeycutt at his present annual rate during that period.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 4
7/20/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 20, 1959

Mr. L. G. Pondrom, Vice President,
Federal Reserve Bank of Dallas,
Dallas 2, Texas.

Dear Mr. Pondrom:

In accordance with the request contained in your letter of July 14, 1959, the Board approves the designation of George W. Saunders, Carrol E. Duke, George W. Stover, and Roy S. Stapleton, Jr., as special assistant examiners for the Federal Reserve Bank of Dallas for the purpose of participating in the examination of Southern Arizona Bank and Trust Company, Tucson, Arizona.

The Board also approves the designation of Marvin C. McCoy as a special assistant examiner for the Federal Reserve Bank of Dallas for the purpose of participating in the examination of State member banks only.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.