

Minutes for September 25, 1959

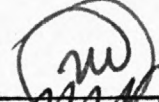

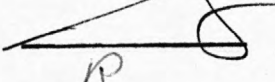
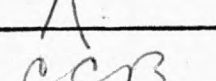
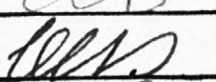
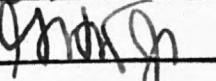

To: Members of the Board

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, please initial below. If you were present at the meeting, your initials will indicate approval of the minutes. If you were not present, your initials will indicate only that you have seen the minutes.

Chm. Martin	<u></u>
Gov. Szymczak	<u></u>
Gov. Mills	<u></u>
Gov. Robertson	<u></u>
Gov. Balderston	<u></u>
Gov. Shepardson	<u></u>
Gov. King	<u></u>

Minutes of the Board of Governors of the Federal Reserve System
on Friday, September 25, 1959. The Board met in the Board Room at
10:00 a.m.

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

Mr. Sherman, Secretary
Mr. Riefler, Assistant to the Chairman
Mr. Hackley, General Counsel
Mr. Masters, Associate Director, Division
of Examinations
Mr. Landry, Assistant to the Secretary
Mr. Hooff, Assistant Counsel

Discount rates. The establishment without change by the Federal Reserve Banks of New York, Richmond, St. Louis, Kansas City, and Dallas on September 24, 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 to the Board. The following items, which had been circulated to 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 Marine Midland Trust Company of the Mohawk Valley, Utica, New York, approving the establishment of a branch in Ilion, New York, incident to its merger with the Ilion National Bank and Trust Company.	1

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Item No.

Letter to the Old Kent Bank and Trust Company, Grand Rapids, Michigan, approving an extension of time within which to establish a branch in Cascade. 2

Letter to The Brazil Trust Company of Brazil, Indiana, Brazil, Indiana, approving the establishment of a branch at Franklin and Church Streets. 3

Letter to Elston Bank & Trust Company, Crawfordsville, Indiana, approving the establishment of a branch at the Northwest Corner of Market and Green Streets. 4

Messrs. Masters and Hooff withdrew from the meeting at this point and Mr. Ralph A. Young, Director, Division of Research and Statistics, entered the room.

Government security dealer position data. Mr. Riefler reviewed the background of the problem created by the refusal of two dealers in Government securities to make available their position figures in such securities prior to 1958 in order to enable Mr. Rouse, Manager, System Open Market Account, to comply with a request of Senator Douglas, Chairman of the Joint Economic Committee, for such data as an outgrowth of the Committee's hearings in New York City in August. Mr. Riefler noted that Mr. Rouse had informed Senator Douglas in a letter dated September 11, 1959, why the data could not be supplied, but that as a result of a further discussion at the September 22 meeting of the Federal Open Market Committee, he (Mr. Riefler) had informed Mr.

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Knowles, Special Economic Counsel of the Joint Economic Committee staff, that certain data might be supplied if a written request was received from the Chairman of the Joint Economic Committee.

Mr. Riefler went on to say that Mr. Knowles had called him this morning to say that he could not go forward with the idea of asking Senator Douglas to request certain statistical adjustments be made in the available data since the Committee was not in a position to know that the adjusted figures would provide a series that would correctly reveal trends. He requested that the Federal Reserve make the necessary adjustments and send the resulting total position figures to the Joint Economic Committee. Mr. Riefler said that he took the position that the Federal Reserve would not be willing to take responsibility for preparing and releasing data about which it had serious doubts. Mr. Knowles responded that he disliked having to report to Senator Douglas that the System would not cooperate in this manner, but that he apparently would have to tell him of the situation.

Mr. Young suggested an alternative procedure that might be followed in this case: namely, to inform the Committee that the recent Treasury-Federal Reserve study of the Government securities market had revealed the desirability of developing a regular flow of statistics on the market and that the System currently was working on

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this project with the Treasury. Retrospective statistics would also be developed in this program, but the entire project would take some time. Assuming the project were to be undertaken, the cooperation of the two dealers that had declined to supply back position figures might be obtained, although it might be necessary for the System to assume the cost (perhaps around \$1,500) of getting the back figures.

In reply to Governor Robertson's question as to whether the refusal of these firms to provide back figures was based solely on the cost of obtaining such information, Mr. Young replied that this was the stated reason but that there might be additional reasons why they did not wish to make their data available.

During the discussion that followed, Governor Balderston expressed the view that the issue essentially was whether either the System or the Joint Economic Committee wished to take the initiative for a questionable statistical series. He was bothered by the fact that the System, which was in a responsible position vis-a-vis the Government securities market, had not had complete information on dealers' positions. Moreover, within a few months the System might be stating publicly that complete reporting of the Government securities market was essential to the proper functioning of the System. He was inclined to ask Mr. Young to talk with Mr. Knowles for the purpose of indicating that the System had in mind developing some

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measures, that that would take some little time, and that in the meantime if the Joint Economic Committee wished to get a series based on adjusting available data, the figures would be prepared provided, of course, Senator Douglas' Committee described the procedure to be used in making the statistical adjustments and providing the tabulation of the data contained appropriate footnotes regarding the adjustments.

Governor Mills said that as he understood the suggestion, this would still be making available figures that had been reported to the Federal Reserve Bank of New York in confidence, and he would not wish to make confidential figures available whether the procedure for adjusting the totals was suggested by Senator Douglas or not.

At Chairman Martin's suggestion, it was understood that Mr. Young should talk with Mr. Knowles in the light of this discussion and report back to the Board.

Mr. Furth, Associate Adviser, Division of International Finance, entered the room during the foregoing discussion.

Gold collateral loan to Bank of Guatemala (Item No. 5).

Reference was made to a telegram from the Federal Reserve Bank of New York dated September 24, stating that the Bank of Guatemala, in a letter dated September 11, 1959, asked the New York Bank for a seasonal gold collateral loan of \$10,000,000.

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In commenting on this request, Mr. Furth pointed out that the Bank of Guatemala had requested the loan for a term of three months, extendable in case some slight delay should occur in starting the export of coffee of the present harvest. He added that the economy of the country was fairly sound and that the last loan granted Guatemala had been in 1951 and to the best of his knowledge had never been drawn upon. The directors of the New York Reserve Bank had authorized the loan, subject to the approval of the Board of Governors, but did not wish to make a commitment for automatic renewal after the three months' period had passed. It would, however, give consideration to a renewal at that time.

It was then unanimously agreed that a wire (attached to these minutes as Item No. 5) should be sent to the Federal Reserve Bank of New York approving the loan on the terms stated in the wire.

All of the members of the staff then withdrew and Mr. W. Braddock Hickman, Director of Economic Research, American Airlines, Inc., entered the room for the purpose of meeting with the members of the Board.

The meeting then adjourned.

Secretary's Notes: Governor Shepardson today approved on behalf of the Board the following items:

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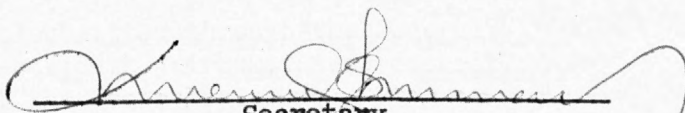
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Leadership course

Letter to Professor Edwin L. Stevens confirming verbal arrangements with the Division of Personnel Administration for conducting a 20-hour Discussion and Conference Leadership Course for members of the Board's staff at an honorarium of \$500.

Letter to the Federal Reserve Bank of New York (attached Item No. 6) approving the appointment of Lyman Brown III and Richard A. Duncan as assistant examiners.

Governor Shepardson noted today on behalf of the Board the filing of the application for retirement by Ethel L. Evans, Statistical Assistant in that Division, effective November 1, 1959. (Division of Research and Statistics)


Secretary

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

Item No. 1
9/25/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



Board of Directors,
Marine Midland Trust Company
of the Mohawk Valley,
Utica, New York.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of New York and subject to the circumstances described therein, the Board of Governors of the Federal Reserve System approves the establishment by Marine Midland Trust Company of the Mohawk Valley, Utica, New York, of a branch at 4-8 East Main Street, Ilion, New York, following consummation of the proposed merger of your bank and Ilion National Bank and Trust Company, Ilion, New York.

This approval is given provided:

1. Shares of stock acquired from dissenting stockholders are disposed of within six months from the date of acquisition, and
2. The branch is established within six months from the date of this letter.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 2
9/25/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 25, 1959.

Board of Directors,
Old Kent Bank and Trust Company,
Grand Rapids, Michigan.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Chicago, the Board of Governors of the Federal Reserve System extends the time within which Old Kent Bank and Trust Company may establish a branch at the intersection of 28th Street S. E. and U. S. Highway 16 in the unincorporated community of Cascade, Michigan, to January 19, 1960, under the authorization contained in the Board's letter dated March 19, 1959.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 3
9/25/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 25, 1959.

Board of Directors,
The Brazil Trust Company of
Brazil, Indiana,
Brazil, Indiana.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Chicago, the Board of Governors of the Federal Reserve System approves the establishment of a branch at Franklin and Church Streets, Brazil, Indiana, by The Brazil Trust Company of Brazil, Indiana, provided the branch is established within six months from the date of this letter.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 4
9/25/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 25, 1959.

Board of Directors,
Elston Bank & Trust Company,
Crawfordsville, Indiana.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Chicago, the Board of Governors of the Federal Reserve System approves the establishment of a branch at the Northwest Corner of Market and Green Streets, Crawfordsville, Indiana, by Elston Bank & Trust Company, Crawfordsville, Indiana, provided the branch is established within six months from the date of this letter.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.



TELEGRAM
BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
LEASED WIRE SERVICE
WASHINGTON

Item No. 5
9/25/59

September 25, 1959

SANFORD - NEW YORK

Your wire September 24. Board approves granting of loan or loans on gold up to a total amount of \$10 million by your Bank to the Banco de Guatemala on the following terms and conditions:

- A. To be made up to 98 per cent of the value of gold bars set aside in your vaults under pledge to you;
- B. To be made in units of \$1 million at any time on or before October 26;
- C. To mature in three months with option to repay at any time before maturity in units of \$1 million;
- D. To bear interest at the discount rate of your Bank in effect on the date on which such loan or loans are made.

It is understood that the usual participation will be offered to the other Federal Reserve Banks.

(Signed) Merritt Sherman

SHERMAN

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

Item No. 6
9/25/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 25, 1959

Mr. R. B. Wiltse, Vice President,
Federal Reserve Bank of New York,
New York 45, New York.

Dear Mr. Wiltse:

In accordance with the request contained in your letter of September 23, 1959, the Board approves the appointment of Lyman Brown III and Richard A. Duncan as assistant examiners for the Federal Reserve Bank of New York. Please advise the date upon which the appointments are made effective.

It is noted that Mr. Duncan is indebted to the Fair Lawn-Radburn Trust Company, Fair Lawn, New Jersey, a nonmember bank, in the amount of approximately \$202.50 payable on monthly instalments. Accordingly, the Board's approval of the appointment is given with the understanding that he will not participate in any examinations of that bank until his indebtedness has been liquidated.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.