

Minutes for November 9, 1959

To: Members of the Board

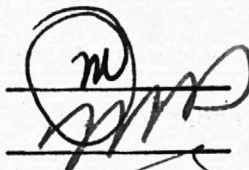
From: Office of the Secretary

Attached is a copy of the minutes of the Board of Governors of the Federal Reserve System on the above date.

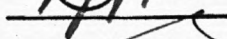
It is not proposed to include a statement with respect to any of the entries in this set of minutes in the record of policy actions required to be maintained pursuant to section 10 of the Federal Reserve Act.

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.

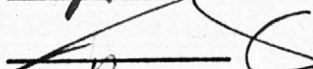
Chm. Martin



Gov. Szymczak



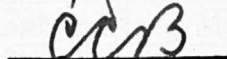
Gov. Mills



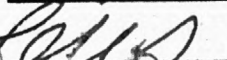
Gov. Robertson



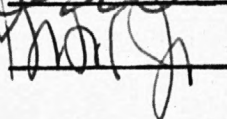
Gov. Balderston



Gov. Shepardson



Gov. King



Minutes of the Board of Governors of the Federal Reserve System  
on Monday, November 9, 1959. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary  
Mr. Riefler, Assistant to the Chairman  
Mr. Fauver, Assistant to the Board  
Mr. Johnson, Director, Division of Personnel  
Administration  
Mr. Hackley, General Counsel  
Mr. Farrell, Director, Division of Bank Operations  
Mr. Solomon, Director, Division of Examinations  
Mr. Sprecher, Assistant Director, Division of  
Personnel Administration  
Mr. Landry, Assistant to the Secretary

Discount rates. The establishment without change by the Federal Reserve Bank of Kansas City on November 3 and the Federal Reserve Banks of New York, Philadelphia, Cleveland, Richmond, St. Louis, Minneapolis, and Dallas on November 5, 1959, of the rates on discounts and advances in their existing schedules was approved unanimously with the understanding that the appropriate advice would be sent to those Banks.

Board representation at directors' meeting. Governor Robertson informed the meeting that President Mangels of the San Francisco Bank had recently advised him that the next meeting of the Bank's board of directors on December 9, 1959, would be the last attended by the present Chairman, Mr. Brawner, and it had occurred to him that it would be a

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nice gesture if some member of the Board could be present at that meeting.

On a question from the Chairman as to whether he would be willing to serve in this capacity, Governor Mills stated reasons why attendance by a Board member might not be desirable. At the Chairman's suggestion, it was understood that this question would be considered at another time.

Letter from Under Secretary of the Treasury Baird. Under Secretary of the Treasury Baird had sent a letter dated October 30, 1959, to Governor Balderston suggesting the holding of regional luncheon or dinner meetings in 26 Federal Reserve and Branch Federal Reserve cities to enlist some 4,000 business firms each having 1,000 employees or more to make intensive payroll-savings drives during 1960. He suggested that it would be desirable to have the Presidents of the Federal Reserve Banks serve as co-chairmen of the regional campaign committees. The letter also suggested that the cost of the luncheons or dinners be borne by the Federal Reserve Banks.

Governor Balderston explained that President Johns, Chairman of the Presidents' Conference, had furnished the Board a memorandum dated November 4, 1959, which had been circulated along with the letter from Under Secretary Baird, and that this memorandum was based on a discussion of this proposal following the Open Market Committee luncheon on November 4, 1959. The nine Presidents who participated in this

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discussion were of the opinion that the idea of injecting Reserve Bank Presidents into the savings bonds sales organization was of questionable soundness. They were reluctant, therefore, to accept appointments as co-chairmen and expressed the belief that they could be used more profitably behind the scenes and in advisory capacities. Governor Balderston went on to say that Presidents Bopp, Bryan, and Hayes, who had not attended the meeting, were consulted by telephone afterwards and that the two former concurred in the conclusions reached at the meeting following the Open Market Committee luncheon, while President Hayes was taking the matter up with his colleagues at New York.

The Chairman indicated that the general wishes of the Reserve Bank Presidents should be followed in this matter but that as a rule it would be advisable to point out to the Treasury that it should seek from Congress appropriation of necessary monies to finance this sales program. He said that he had no great objection to following the procedure outlined by Under Secretary Baird so long as the expenditures for such luncheons or dinners were reported in the Board's Annual Report to the Congress and the Board was clearly on record as having suggested to the Treasury that it go to Congress for the necessary appropriation.

Governor Robertson observed that, although it was probably best for the Reserve Banks to participate in the program this time, he strongly disliked the suggested procedure for financing the program since it amounted

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to the use of public funds without going to Congress and without specific authorization.

A discussion then ensued as to whether such costs, if incurred, should be met by the individual Reserve Banks or whether they should be paid by the Board. During this discussion Governor Mills commented that the fact the project was regional in nature made it logical for the Reserve Banks to bear the costs in their respective regions. He also expressed the view that to the extent the System could help the Treasury in its fiscal problems, it should be entitled to make some expenditures, adding that if they were challenged in Congress, this line of argument should provide reasonable grounds for defending the expenditures as being entirely proper.

Governor Shepardson noted that a statement to the effect the System had borne the cost of three luncheons as part of a savings bond sales program in 1957 had appeared on page 82 of the Board's Annual Report for the year and that there had been only two banks outside the System, located in Washington, D. C., participating in the program. He then raised the question of why this sort of undertaking should be highlighted any more than the usual dinners put on by the Reserve Banks to further monetary and fiscal policies when such dinners were attended by leading industrialists in their districts.

After further discussion regarding the best method of handling financial reports of such outlays by the System, Chairman Martin was

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authorized to inform Under Secretary Baird that the Reserve Bank Presidents should not be asked to serve as co-chairmen of the 1960 savings bond sales program but that the Board interposed no objection to payment by the Federal Reserve of the costs of luncheons or dinners to be given in connection with top management meetings in the 26 cities listed by Mr. Baird, provided no more than one such meeting was held in any Federal Reserve head office or branch territory; and it was understood the Presidents of the Reserve Banks should be notified of the Board's decision.

Invitation from New York State Bar Association (Item No. 1).

At its meeting on November 5, 1959, the Board had discussed in a preliminary way a letter from the New York State Bar Association dated October 26, 1959, inviting Board participation in a panel discussion of the antitrust law on January 28, 1960. During this discussion Mr. Hackley had presented some of the arguments for and against Board participation. It had been decided at the November 5, 1959, meeting of the Board that final action on the invitation should be deferred until Mr. Hackley had ascertained whether the Chairmen of the Federal Trade Commission, Federal Communications Commission, and Federal Power Commission would be attending the annual meeting of the New York State Bar Association on January 28, 1960. A memorandum dated November 6, 1959, from Mr. Hackley stated that the Chairmen of these three agencies would be in attendance.

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Referring to his memorandum, Mr. Hackley pointed out that the issues before the Board were: (1) To accept or (2) not accept the invitation of the Bar Association, and (3) should it accept the invitation, to select its representative.

Governor Mills reiterated his belief, expressed at the November 5 meeting, that a member of the Board should not be selected to represent it at this meeting since the Board had not developed a complete philosophy of the effects on competition in banking of activities falling within the scope of the Bank Holding Company Act of 1956. He expressed the view that Mr. Hackley, who was versed in the legal background of this matter, could effectively and successfully carry through this assignment.

The Chairman said that he was not certain the Board should participate at all, since it was not apparent to him that a useful purpose would be served by doing so.

Governor Robertson commented that, unlike Governor Mills, he believed the Chairman or a Board member would be in a better position than would Mr. Hackley effectively to carry out this assignment, since the General Counsel of the Board would be expected to discuss points of view within the Board and would be expected to state general conclusions, whereas a Board member would be representing the Board and not himself as was the case when the Chairman or any member of the Board testified before a Congressional committee.

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After noting that the proceedings of the annual meeting of the New York State Bar Association would be broadcast over television and would later be published by the Commerce Clearing House, there was further discussion of the advisability of participation by either a Board or staff member in this meeting.

At the conclusion of this discussion, and at the suggestion of Chairman Martin, he was authorized unanimously to decline the invitation of the New York State Bar Association. A copy of the letter from Chairman Martin to Mr. C. W. Dunn, Chairman of the Association, is attached as Item No. 1.

Appointment of directors at Federal Reserve Banks and branches.

There had been distributed a memorandum from Mr. Fauver dated November 5, 1959, presenting a list of directors of the Federal Reserve Banks and branches who were eligible for reappointment under the rotation policy. Mr. Fauver explained that this was the first step in the year-end process regarding Board-appointed directors and that if the Board should act on these reappointments fairly soon the appointment wires could go out in time to inform the directors concerned of their reappointment before they participated in the December meetings of their respective boards. This procedure would also provide time to replace any directors who could not accept appointment. He indicated further that the Board might also wish to consider renewing designations of Chairmen and Federal Reserve Agents as well as Deputy Chairmen.



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The Board then moved to consideration of the directors whose terms would expire at the end of 1959 and who were clearly eligible for reappointment under the Board's current policy relating to length of service of directors. After discussion the following persons were reappointed by unanimous vote as Class C directors of the respective Federal Reserve Banks indicated, each for a term of three years beginning January 1, 1960:

<u>Name</u>	<u>Bank</u>
Nils Y. Wessell	Boston
Joseph H. Thompson	Cleveland
Alonzo G. Decker, Jr.	Richmond
Pierre B. McBride	St. Louis
Oliver S. Willham	Kansas City

The following persons were reappointed by unanimous vote as directors of the respective Federal Reserve Bank branches indicated, each for a term of three years beginning January 1, 1960:

<u>Name</u>	<u>Branch</u>
Raymond E. Olson	Buffalo
H. E. Whitaker	Cincinnati
John T. Ryan, Jr.	Pittsburgh
Gordon M. Cairns	Baltimore
Claude J. Yates	Jacksonville
J. Thomas Smith	Detroit
T. Winfred Bell	Little Rock
A. E. Cudlipp	Houston

The following persons were reappointed by unanimous vote as directors of the respective Federal Reserve Bank branches indicated, each for a term of two years beginning January 1, 1960:

<u>Name</u>	<u>Branch</u>
John M. Otten	Helena
James L. Paxton Jr.	Omaha
Robert J. Cannon	Los Angeles
Warren W. Braley	Portland
Howard W. Price	Salt Lake City
Henry N. Anderson	Seattle

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The following persons were designated as Chairmen and Federal Reserve Agents at the Federal Reserve Banks indicated for the year 1960, and the compensation of each as Chairman and Federal Reserve Agent was fixed on the uniform basis for the same position at all Federal Reserve Banks, i.e., the same amount as the aggregate of the fees payable during the same period to any other director for attendance corresponding to his at meetings of the boards of directors, executive committee, and other committees of the board of directors:

<u>Name</u>	<u>Bank</u>
Robert C. Sprague	Boston
Henderson Supplee, Jr.	Philadelphia
Arthur B. Van Buskirk	Cleveland
Alonzo G. Decker, Jr.	Richmond
Walter M. Mitchell	Atlanta
Bert R. Prall	Chicago
Pierre B. McBride	St. Louis
Raymond W. Hall	Kansas City
Robert J. Smith	Dallas

The following persons were appointed as Deputy Chairmen of the Federal Reserve Banks indicated for the year 1960:

<u>Name</u>	<u>Bank</u>
Nils Y. Wessell	Boston
Forrest F. Hill	New York
Joseph H. Thompson	Cleveland
D. W. Colvard	Richmond
Robert P. Briggs	Chicago
J. H. Longwell	St. Louis
Joe W. Seacrest	Kansas City

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It was understood that the proposed appointments and reappointments would be checked informally with the Chairman of the Federal Reserve Bank concerned, if that had not already been done, before the telegram advising of the Board's action was sent to the individual appointee.

The Board then moved to consideration of appointments to succeed those directors who were not to be reappointed, pursuant to the Board's rotation policy.

After discussion, it was voted unanimously to ascertain whether Mr. Thomas E. LaMont, a farmer, of Albion, New York, was eligible for and would accept appointment, if tendered, as a director of the Buffalo Branch of the Federal Reserve Bank of New York, for the unexpired portion of a term ending December 31, 1960.

Secretary's Note: It having been ascertained that Mr. LaMont would accept the appointment, if tendered, a telegram notifying him of his appointment was sent on November 16, 1959.

A discussion then ensued concerning the appointment of a successor to Mr. A. H. Brawner as Chairman and Federal Reserve Agent at the Federal Reserve Bank of San Francisco during which Governor Mills was requested to ascertain and report to the Board the views of Mr. Brawner regarding the persons under consideration.

Consideration also was given to possible candidates for filling the vacancy of Board Chairman at the Minneapolis Reserve Bank but no conclusion was reached regarding such appointment.

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Letter from President Johns of the Federal Reserve Bank of St. Louis (Item No. 2). A letter dated November 5, 1959, had been received from Mr. D. C. Johns, President of the Federal Reserve Bank of St. Louis, indicating that, subject to the approval of the Board of Governors, it was expected that action would be taken at the next meeting of the board of directors of the Bank on November 12, 1959, to appoint Mr. Darryl R. Francis, presently a Vice President of the Bank and Manager of the Memphis Branch, to the office of First Vice President effective December 1, 1959, and to fix his salary at the rate of \$22,000 per annum for the period December 1 through December 31, 1959.

A brief discussion of this proposal followed, at the conclusion of which it was unanimously agreed that President Johns should be informed that the Board was prepared to approve the appointment of Mr. Francis, as First Vice President at the salary suggested, if such action were taken by the directors of the St. Louis Bank.

Secretary's Note: Advice of the appointment of Mr. Francis by the directors at a meeting on November 12, 1959, was received on November 13, and pursuant to the action at this meeting a letter of approval in the form of attached Item No. 2 was sent to Chairman McBride of the St. Louis Bank on November 13, 1959.

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The meeting then adjourned.

Secretary's Note: Pursuant to the recommendations contained in memoranda from appropriate individuals concerned, Governor Shepardson today approved on behalf of the Board increases in the basic annual salaries of the following persons on the Board's staff, effective November 15, 1959:

Division of Research and Statistics

Dorothy G. Drake, from \$4,790 to \$4,980 per annum, with a change in title from Editorial Clerk to Research Assistant.

Edward R. Fry, Economist, from \$7,030 to \$7,270 per annum.

Harris Loewy, Senior Economist, from \$12,770 to \$13,070 per annum.

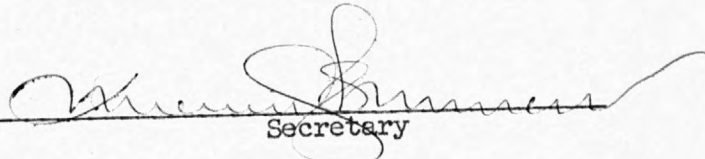
Bessie M. McCrae, Statistical Clerk, from \$4,230 to \$4,325 per annum.

Division of Administrative Services

Mary S. Keagan, Purchasing Assistant, from \$4,940 to \$5,090 per annum.

Abraham Rose, Cafeteria Laborer, from \$3,435 to \$3,530 per annum.

Eleanor W. Yates, Cafeteria Helper, from \$3,150 to \$3,245 per annum.

  
Secretary



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

Item No. 1  
11/9/59

OFFICE OF THE CHAIRMAN

November 10, 1959.

Mr. Charles Wesley Dunn,  
Chairman,  
New York State Bar Association,  
608 Fifth Avenue,  
New York 20, New York.

Dear Mr. Dunn:

I received your nice invitation to participate in the panel discussion of the antitrust laws you are planning for January 28 of next year.

Unfortunately I must decline and, after due consideration, the Board came to the conclusion that it would be wiser for us not to participate at the time you suggest. We all regret this but know you will understand.

With all good wishes,

Sincerely yours,

Wm. McC. Martin, Jr.



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

Item No. 2  
11/9/59

OFFICE OF THE CHAIRMAN

November 13, 1959.

CONFIDENTIAL (FR)

Mr. Pierre B. McBride, Chairman,  
Federal Reserve Bank of St. Louis,  
St. Louis 66, Missouri.

Dear Pierre:

The Board of Governors approves the appointment of Mr. Darryl R. Francis as First Vice President of the Federal Reserve Bank of St. Louis, effective December 1, 1959, for the unexpired portion of the five year term which began March 1, 1956.

The Board also approves payment of salary to Mr. Francis at the rate of \$22,000 per annum for the period December 1 through December 31, 1959, which is the rate fixed by your Board of Directors as reported in your letter of November 12, 1959.

Sincerely yours,

(Signed) Bill

Wm. McC. Martin, Jr.