

Minutes for December 28, 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


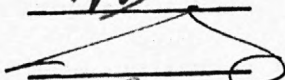

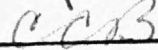
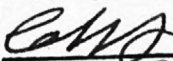
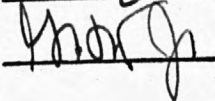
Gov. Mills

Gov. Robertson

Gov. Balderston

Gov. Shepardson

Gov. King

Minutes of the Board of Governors of the Federal Reserve System  
on Monday, December 28, 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. Sherman, Secretary  
Mr. Shay, Legislative Counsel  
Mr. Hackley, General Counsel  
Mr. Solomon, Director, Division of Examinations  
Mr. Hexter, Assistant General Counsel  
Mr. O'Connell, Assistant General Counsel  
Mr. Nelson, Assistant Director, Division of  
Examinations  
Mr. Landry, Assistant to the Secretary

Discount rates. The establishment without change by the Federal Reserve Bank of San Francisco on December 23, and by the Federal Reserve Banks of Cleveland, Richmond, St. Louis, Chicago, and Dallas on December 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.

Item No.

1

Letter to the Depositors Trust Company, Augusta, Maine, approving the establishment of a branch in Auburn.

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Item No.

Letter to the Deposit Guaranty Bank and Trust Company, Jackson, Mississippi, approving an extension of time to establish a branch at the intersection of West Capitol Street and Ellis Avenue.

2

Letter to the Federal Reserve Bank of Chicago interposing no objection to the assumption of any increased expenses which may result from the adoption of additional surgical-medical coverage, described in its letter of November 30, 1959.

3

Letter to the House Committee on Interior and Insular Affairs regarding H. R. 7003, a bill relating to statehood for Puerto Rico.

4

Request of Mr. Ben DuBois. The Secretary reported a telephone request from Mr. Ben DuBois, Secretary of the Independent Bankers Association, on Thursday, December 24, 1959, to appear and comment at oral arguments to be held on January 6, 1960, in Room 1202 of the Federal Reserve Building relating to acquisition by First Bank Stock Corporation of shares of Eastern Heights State Bank of St. Paul, St. Paul, Minnesota, pursuant to section 3(a)(2) of the Bank Holding Company Act.

By way of comment on this request, Mr. Hackley noted that the Board had sent a letter to Mr. DuBois, dated December 21, 1959, advising him that oral argument in this case would be held on January 6, 1960, at 10:00 a.m. at the Board's offices, and indicating that the hearings would be public. So far as Mr. DuBois' request was concerned, Mr.

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Hackley noted that neither Mr. DuBois nor the Independent Bankers Association was a legal party to the hearing. He saw no objection to permitting Mr. DuBois to make a statement at the oral argument, but on the other hand there was no legal necessity to permit any one other than a party to the hearing to make a statement at that time.

Governor Mills asked whether a similar request made by Mr. DuBois, in behalf of the Independent Bankers Association regarding the May 21, 1958 hearings in the First New York Corporation case, had been turned down. Mr. O'Connell answered in the affirmative, saying that a letter from the Board to Mr. DuBois, dated April 28, 1958, had informed him that only the immediately interested parties to that case were eligible to make statements. He also answered affirmatively to a further question from Governor Mills as to whether Mr. DuBois had testified at the open hearings in the First Bank Stock Corporation case held during April 1959 in Minneapolis. He added that in the Board's letter of April 28, 1958, to Mr. DuBois, the primary purpose of the oral argument procedure had been explained as that of allowing the parties to the proceeding to emphasize and clarify "the major points, both factual and legal, raised in briefs previously submitted for the Board's consideration".

Governor Mills observed that precedent and the status of the instant case argued against permitting Mr. DuBois to make a statement



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on January 6, although he felt that he should be welcomed as an observer.

Governor Robertson commented that it seemed to him unwise to refuse to hear any arguments Mr. DuBois might have to advance. He could not see that the Board would gain anything by denying the request, and there might be a loss through adverse public relations. Accordingly, his judgment was that Mr. DuBois' request should be granted.

Governor Szymczak inquired whether Mr. DuBois had gained the impression from the Board's letter of December 21 that he might make a statement at the oral argument, and the Secretary replied that Mr. DuBois had clearly given this impression in his telephone conversation on December 24. Governor Szymczak then suggested that Mr. DuBois be informed by a return telephone call that his request was being denied, with an appropriate explanation of the reasons therefor, but that he be assured that he was welcome to be present.

Governor Szymczaks' suggestion was approved, Governor Robertson dissenting.

Secretary's Note: Messrs. Sherman and Hackley talked by telephone with Mr. DuBois on December 31, 1959, not having been able to reach him prior to that date, at which time he was informed of the Board's decision and of the reasons therefor.

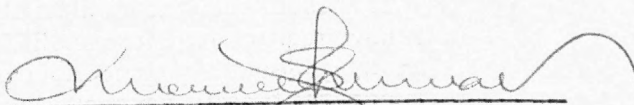
Messrs. Hackley, Solomon, Hexter, O'Connell, and Nelson withdrew from the meeting at this point.

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Staff Report of Joint Economic Committee. Mr. Shay reported that he had received an advance copy of the final report of the Joint Economic Committee's Study of Employment Growth and Price Levels written by the staff under the direction of Dr. Otto Eckstein of Harvard University, that the report would be generally available tomorrow, and that it seemed to him to be a disappointing document, both from the standpoint of workmanship and recommendations relating to monetary policy.

The meeting then adjourned.

  
Secretary

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

Item No. 1  
12/28/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 28, 1959

Board of Directors,  
Depositors Trust Company,  
Augusta, Maine.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Boston, the Board of Governors of the Federal Reserve System approves the establishment of a branch on Spring Street, Auburn, Maine, by Depositors Trust Company, provided the branch is established within one year from the date of this letter, and approval of State authorities is in effect as of the date of the establishment of the branch.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.



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

Item No. 2  
12/28/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 28, 1959

Board of Directors,  
Deposit Guaranty Bank & Trust Company,  
Jackson, Mississippi.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Atlanta, the Board of Governors of the Federal Reserve System further extends the time within which Deposit Guaranty Bank & Trust Company may establish a branch at the intersection of West Capitol Street and Ellis Avenue, Jackson, Mississippi, to February 29, 1960, under the authorization contained in the Board's letter dated March 30, 1959.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.





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

Item No. 3  
12/28/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 28, 1959

Mr. H. J. Newman, Vice President,  
Federal Reserve Bank of Chicago,  
Chicago 90, Illinois.

Dear Mr. Newman:

This refers to your letter of November 30, 1959,  
advising of an expanded surgical-medical coverage for officers  
and employees of the Bank which is underwritten by the Commercial  
Insurance Company.

The Board of Governors interposes no objection to the  
assumption by the Federal Reserve Bank of Chicago of any increased  
expenses which may result from the adoption of the additional  
benefits as described in your letter.

The Board notes also that as a result of an unanticipated  
increase in premium rates for hospitalization (Blue Cross) insurance,  
your Bank will incur approximately \$14,000 additional expense for  
this item during 1960, for which provision was not made in the  
budget.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

Item No. 4  
12/28/59

OFFICE OF THE VICE CHAIRMAN

December 29, 1959

The Honorable Wayne N. Aspinall, Chairman,  
Committee on Interior and Insular Affairs,  
House of Representatives,  
Washington 25, D. C.

Dear Mr. Chairman:

This is in response to your letter of September 3, 1959, requesting a report on the bill, H. R. 7003, "To provide for a referendum in Puerto Rico on the admission of Puerto Rico into the Union as a State, and to establish the procedure for such admission if the people of Puerto Rico desire it."

The only provisions of this bill that directly affect the Federal Reserve System are those contained in section 214 which would amend section 2 of the Federal Reserve Act to provide (1) that when any State is admitted to the Union, the Federal Reserve districts shall be readjusted by the Board of Governors so as to include such State, and (2) that national banks in any new State shall become members of the Federal Reserve System within ninety days after admission of such State into the Union.

Provisions substantially to the same effect were recommended by the Board of Governors for inclusion in both the Alaskan and Hawaiian Statehood bills, and the Board hopes that these provisions will be retained in the present bill.

Sincerely yours,

(Signed) C. Canby Balderston

C. Canby Balderston,  
Vice Chairman.

