

Minutes for April 8, 1960.

To: Members of the Board

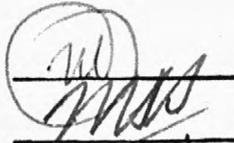
From: Office of the Secretary

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.

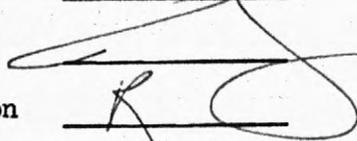
Chm. Martin



Gov. Szymczak



Gov. Mills



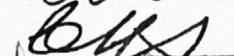
Gov. Robertson



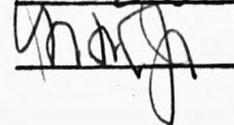
Gov. Balderston



Gov. Shepardson



Gov. King



Minutes of the Board of Governors of the Federal Reserve System
on Friday, April 8, 1960. 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. Sherman, Secretary
Mr. Thomas, Adviser to the Board
Mr. Young, Adviser to the Board
Mr. Shay, Legislative Counsel
Mr. Hackley, General Counsel
Mr. Noyes, Director, Division of Research
and Statistics
Mr. Farrell, Director, Division of Bank Operations
Mr. Solomon, Director, Division of Examinations
Mr. Hexter, Assistant General Counsel
Mr. Koch, Adviser, Division of Research
and Statistics
Mr. Robinson, Adviser, Division of Research and
Statistics
Mr. Goodman, Assistant Director, Division of
Examinations
Mr. Landry, Assistant to the Secretary

Discount rates. The establishment without change by the Federal Reserve Banks of New York, Philadelphia, Cleveland, Richmond, St. Louis, Kansas City, and Dallas on April 7, 1960, 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 members of the Board and copies of which are attached to these minutes under the respective item numbers indicated, were approved unanimously:

4/8/60

-2-

Item No.

Letter to Mr. Allen regarding the continued service of Messrs. Kiley and Hackley as associate members of the Subcommittee on Fiscal Agency Operations and the Subcommittee of Counsel on Fiscal Agency Operations, respectively, of the Presidents' Conference. 1

Letter to Bank of America, New York City, granting it permission to purchase and hold 2,000 shares of Banque Marocaine du Commerce Exterieur, Casablanca, Morocco. 2

Executive Order regarding emergency banking powers (Item No. 3).

There had been distributed a memorandum from the Legal Division dated April 6, 1960, regarding a request from the Budget Bureau on December 7, 1959, for the Board's views on a draft of a proposed Executive Order submitted by the Treasury Department which would delegate to the Secretary of the Treasury all of the President's powers with respect to banking and finance. Mr. Hackley recalled that after discussion of the matter with the Treasury Department, the Board on March 29, 1960, adopted a draft of reply to the Budget Bureau opposing approval of the Executive Order in the form submitted. However, the reply was not sent to the Budget Bureau because upon further consideration it appeared that the reasons for opposition to the Executive Order were not accurately presented in the reply adopted. He noted that a redraft of the proposed reply was attached to his memorandum of April 6, stating that the changes that had been made in the letter were designed to make it less dogmatic and spell out the detailed reasons for the Board's belief that the considerable peacetime powers of the President in the financial and banking

4/8/60

-3-

area should not be delegated to the Treasury except in a war-time emergency.

Unanimous approval was then given to the letter to the Budget Bureau, a copy of which is attached as Item No. 3.

Messrs. Molony and Fauver, Assistants to the Board, joined the meeting at this point.

Letter to 21 Senators. There had been distributed a third revised draft of letter to a group of 21 Senators replying to their letter to Chairman Martin dated March 12, 1960, regarding credit policy.

Several suggestions were made for changes in the present draft, which was then approved for transmittal to the Presidents of the Federal Reserve Banks with the thought that they would have an opportunity to comment on the proposed letter at the close of the Open Market Committee meeting on Tuesday, April 12, 1960.

Hearings on H. R. 9511. Chairman Martin noted that he had received word that hearings were now being planned by the House Banking and Currency Committee during the week after Easter, April 17, 1960, on H. R. 9511, a bill "To provide for the retirement of \$15 billion of the interest-bearing debt of the United States," introduced by Congressman Patman, concerning which the Board had reported by letter to Congressman Spence, Chairman of that Committee, on February 10, 1960. He expected that he would be called to testify, and it was understood that the staff would prepare a draft of statement for the Chairman's use.

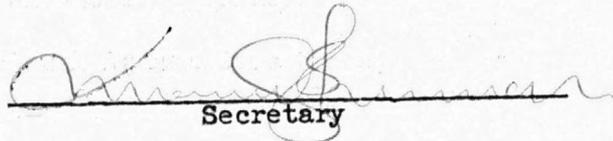
4/8/60

-4-

Secretary's Note: Following the meeting, the Chairman's Office received word that hearings would not be held at this time on H. R. 9511 but that they would be held on H. R. 2790, a bill to abolish the Federal Open Market Committee and transfer its functions to the Board, whose membership would be increased.

The meeting then adjourned.

Secretary's Note: Governor Shepardson today approved on behalf of the Board letters to the Federal Reserve Banks of New York and Cleveland (attached Items 4, 5 and 6) approving the reappointment of Fred W. Piderit, Jr., as an examiner at the New York Bank, and the appointment of Donald C. Hoenstine and Robert G. Sundberg as examiners at the Cleveland Bank.



Secretary

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

Item No. 1
4/8/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 8, 1960

Mr. Carl E. Allen, Chairman,
Committee on Fiscal Agency Operations,
Conference of Presidents of the Federal
Reserve Banks,
Federal Reserve Bank of Chicago,
Chicago 90, Illinois.

Dear Mr. Allen:

In reply to your letter of March 30, 1960, the Board is agreeable to the continued service of Messrs. John N. Kiley, Jr. and Howard H. Hackley as associate members of the Subcommittee on Fiscal Agency Operations and the Subcommittee of Counsel on Fiscal Agency Operations, respectively.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.



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

Item No. 2
4/8/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 8, 1960.



Mr. Tom B. Coughran,
Executive Vice President,
Bank of America,
41 Broad Street,
New York, New York.

Dear Mr. Coughran:

In accordance with the request contained in your letter of November 30, 1959, transmitted through the Federal Reserve Bank of New York, and on the basis of the information furnished, the Board of Governors grants consent for Bank of America to purchase and hold 2,000 shares, par value Moroccan Francs 10,000 each, of the capital stock of Banque Marocaine du Commerce Extérieur, Casablanca, Morocco, at a cost of approximately US\$40,000, provided such stock is acquired within one year from the date of this letter.

The Board's consent is granted upon condition that Bank of America shall dispose of its holdings of stock in the Moroccan bank, as promptly as practicable, in the event that the Moroccan bank should at any time (1) engage in issuing, underwriting, selling or distributing securities in the United States; (2) engage in the general business of buying or selling goods, wares, merchandise, or commodities in the United States or transact any business in the United States except such as is incidental to its international or foreign business; or (3) conduct its operations in a manner inconsistent with Section 25(a) of the Federal Reserve Act or regulations thereunder.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 3
4/8/60

OFFICE OF THE CHAIRMAN

April 8, 1960

Mr. Arthur B. Focke,
General Counsel,
Bureau of the Budget,
Washington 25, D. C.

Dear Mr. Focke:

This is in response to your letter of December 7, 1959, requesting the Board's views regarding a proposed Executive Order "Providing additional authority to the Secretary of the Treasury" and a transmittal letter of the Secretary of the Treasury dated December 3, 1959.

The proposed Order would delegate to the Secretary of the Treasury or to any person, agency, or instrumentality designated by the Secretary all powers with respect to financial and banking transactions and banking institutions which are possessed by the President under the Constitution and laws of the United States and as Commander-in-Chief of the Armed Forces of the United States.

The Secretary of the Treasury's letter of December 3, 1959, states that the Order would provide additional authority for the protection of the banking system and restoration of banking operations and functions in case of their interruption. The letter also states that the primary purpose of the Order is "to supply as complete a delegation of power as may be possible to deal with emergencies which might arise out of an armed attack upon the territory of the United States." These purposes, however, are not reflected by the proposed Order itself. It would become effective immediately upon its approval and would be applicable in peacetime as well as during a war emergency.

Because of this divergence between the purpose of the proposed Order and its actual content and effect, the Board believes that its issuance in the form in which submitted would give rise to problems that would be avoided if the terms of the Order conformed to its stated objective. Since the proposed Order contains no mention of a war emergency, it seems almost inevitable that questions and uncertainties would arise in the minds of the financial and banking communities and the public as to the reasons for the delegation to the Secretary, at the present time, of all of the President's

Mr. Arthur B. Focke

powers with respect to banking and finance. Difficult questions would arise also as to the nature and extent of these powers, the manner in which the Secretary may be expected to exercise them, and the effect of his actions on banking and related industries. Furthermore, there is a serious question as to the propriety of an admittedly unnecessary delegation of the President's peacetime powers.

In addition to these specific disadvantages, there is the general undesirability of action that goes beyond what the situation and problem demand. In this case, although the purpose of the Order is simply to enable the country better "to deal with emergencies which might arise out of an armed attack", the proposed Order is not limited to that meritorious objective, but by its terms transfers at once to the Secretary all of the President's powers in the fields of banking and finance. Without attempting to forecast detrimental effects, the Board is convinced that such effects are likely to appear when action does not accord with intent, and that divergence between the two is not consonant with principles of sound governmental action.

In view of the foregoing, it is necessary to consider whether exceptional circumstances exist in this situation that justify the issuance of an Executive Order the terms and effect of which do not coincide with the stated purpose of its sponsors.

The Secretary of the Treasury's letter of December 3 indicates that it was felt undesirable to limit the proposed Order to a war emergency because such a reference might lead to the inference that the foreign situation is more grave than it actually is and because it might cast doubt on the effectiveness of existing delegations by the President to the Secretary. The Board questions whether this would be the case. As to any inference regarding the gravity of the foreign situation, similar provisions in existing statutes and executive orders, such as, for example, the Federal Civil Defense Act of 1950 and Executive Orders 10638 and 10705 granting or delegating extraordinary powers to become effective only in an emergency, have not had any such effect. If, however, the fear of some undesirable inference is well-founded, the inference is equally applicable to all defense planning and preparedness measures, both military and nonmilitary. As to any doubt being cast on the effectiveness of existing delegations to the Secretary, the provision in the proposed Executive Order expressly confirming such delegations should remove all doubt. However, the Board would of course be agreeable to the inclusion of language that would clearly forestall any question in this respect.

Mr. Arthur B. Focke

-3-

The proposed Order purports to delegate all powers of the President with respect to financial and banking transactions to the Secretary of the Treasury, or to any person, agency, or instrumentality designated by the Secretary. This language is not clear and might cause confusion. It would seem preferable, if it is the intention that the designatee receive his delegation by way of the Secretary, to authorize the Secretary to redelegate all or part of the powers delegated to him by the President rather than to simply designate those to whom delegation should be made.

For the reasons above indicated, the Board opposes approval of the proposed Order in the form submitted. However, the Board would favor the issuance of such an Executive Order now, in advance of a war emergency, if the delegation of Presidential powers thereunder were made to become effective only in the event of such an emergency.

The Board has considered the possibility that a draft of Executive Order in the form submitted might be approved on a stand-by basis to be issued only upon the occurrence of a war emergency. However, it is the Board's considered judgment that emergency planning would be facilitated by the issuance in advance of such an emergency of an Executive Order under which delegations of Presidential power would become effective in the event of the emergency. Otherwise, public understanding and acceptance of emergency banking plans could be hampered by the absence of information as to the basic authority for such plans.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.

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

Item No. 4
4/8/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 8, 1960.

Mr. Howard D. Crosse, Vice President,
Federal Reserve Bank of New York,
New York 45, New York.

Dear Mr. Crosse:

In accordance with the request contained
in your letter of March 30, 1960, the Board approves
the reappointment of Fred W. Piderit, Jr., as an
examiner for the Federal Reserve Bank of New York,
effective today.

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. 5
4/8/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 8, 1960.

Mr. Paul C. Stetzelberger, Vice President,
Federal Reserve Bank of Cleveland,
Cleveland 1, Ohio.

Dear Mr. Stetzelberger:

In accordance with the request contained
in your letter of March 30, 1960, the Board approves
the appointment of Donald C. Hoenstine as an examiner
for the Federal Reserve Bank of Cleveland, effective
May 1, 1960.

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. 6
4/8/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



April 8, 1960.

Mr. Paul C. Stetzelberger, Vice President,
Federal Reserve Bank of Cleveland,
Cleveland 1, Ohio.

Dear Mr. Stetzelberger:

In accordance with the request contained in your
letter of March 30, 1960, the Board approves the appoint-
ment of Robert G. Sundberg as an examiner for the Federal
Reserve Bank of Cleveland, effective May 1, 1960.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.