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Minutes for June 21, 1961

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. 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 Wednesday, June 21, 1961. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Miss Carmichael, Assistant Secretary
Mr. Thomas, Adviser to the Board
Mr. Young, Adviser to the Board and Director,
Division of International Finance
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. Hooff, Assistant General Counsel
Mr. Koch, Adviser, Division of Research and
Statistics
Mr. Robinson, Adviser, Division of Research
and Statistics
Mr. Furth, Adviser, Division of International
Finance
Mr. Conkling, Assistant Director, Division of
Bank Operations

Discount rates. The establishment without change by the Federal Reserve Bank of Atlanta on June 19, 1961, of the rates on discounts and advances in its existing schedule was approved unanimously, with the understanding that appropriate advice would be sent to that Bank.

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:

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Item No.

- Letter to the Federal Reserve Bank of Richmond
waiving assessment of a penalty incurred by
Hallwood National Bank, Hallwood, Virginia,
because of a deficiency in its required reserves. 1
- Letter to State Bank of Northfield, Northfield,
Minnesota, approving an investment in bank
premises. 2
- Letter to The Southwest Bank, Inglewood, Cali-
fornia, granting permission to continue maintaining
reduced reserves. 3
- Letter to Chairman Dawson of the House Committee
on Government Operations reporting on H. R. 7530,
a bill "To amend the Employment Act of 1946 to
establish policies with respect to the productive
capital investments of the Government." 4
- Letter to Bureau of the Budget reporting on
enrolled bill S. 1619, "To authorize adjustments
in accounts of outstanding old series currency,
and for other purposes." 5

Report on competitive factors (White Plains-New York, New York).

A draft of report to the Comptroller of the Currency on the competitive factors involved in the proposed merger of National Bank of Westchester, White Plains, White Plains, New York, into The First National City Bank of New York, New York, New York, had been distributed under date of June 13, 1961.

The Secretary commented that Governor Mills' attendance at a meeting of the Board of Trustees of the Federal Reserve Retirement System prevented his being present at the Board meeting this morning.

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However, Governor Mills had requested that a statement expressing his views on the proposed report be presented at an appropriate time.

The memorandum was then read, and it was understood that copies would be distributed to the members of the Board. There was agreement that further consideration of the report to the Comptroller would be held over until tomorrow's meeting, when Governor Mills would be present along with the members of the Board in attendance at the meeting today. (The statement submitted by Governor Mills is incorporated in the minutes of June 22, 1961.)

Report on competitive factors (Clarksdale-Jonestown, Mississippi).

A draft of report to the Federal Deposit Insurance Corporation on the competitive factors involved in the proposed merger of Peoples Bank of Jonestown, Jonestown, Mississippi, with and into Coahoma County Bank and Trust Company, Clarksdale, Mississippi, had been distributed under date of June 16, 1961. The report concluded as follows:

The proposed transaction would eliminate no important competition and should have no adverse effect on any other bank.

There being no objection, the report was approved unanimously for transmittal to the Corporation.

Mr. Molony, Assistant to the Board, entered the room at this point.

Continental Bank and Trust Company. Mr. Hexter reported that in the United States District Court case entitled The Continental Bank

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and Trust Company v. William McChesney Martin, Jr., et al., the Board's motion to dismiss the bank's complaint was granted on June 20, 1961. He recalled that on July 18, 1960, the Board ordered Continental Bank to increase its capital by not less than a specified amount within six months. On September 19, 1960, the bank filed suit in the United States District Court for the District of Columbia for declaratory judgment, injunction, and other relief. On December 2, 1960, the bank filed a motion for summary judgment on the matter. A motion to dismiss the bank's complaint was filed December 15, 1960, on the Board's behalf.

Pending determination of the matter by the District Court, it had been agreed that no action would be taken to secure compliance with the Board's July 18 order. However, in view of the dismissal of the suit, the Board would now be faced with a decision as to what steps, if any, should be taken to implement its order. Various alternative actions were under discussion by the staff, and the question would be presented shortly for the Board's consideration.

S. 1005 and H.R. 5044. Question was raised regarding the status of bills S. 1005 and H.R. 5044, relating to the statutory limitation on expenditures for the construction of Federal Reserve Bank branch buildings.

After discussion, it was understood that Chairman Martin would take such steps, if any, as might seem appropriate in this regard.

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In this connection, Mr. Farrell commented informally regarding the status of pending branch building projects and indicated that appropriate memoranda with respect to them would be submitted to the Board in due course.

Holding of foreign currencies. It was noted that there had been distributed to the members of the Board a memorandum from Mr. Young dated June 16, 1961, and a supplementary memorandum of the same date from Mr. Furth, relating to the possibility of Federal Reserve holdings of foreign currencies. A question of procedure was raised, and it was agreed, pursuant to a suggestion by Chairman Martin, that the matter would be placed on the agenda for discussion at the meeting on Monday, June 26.

The meeting then adjourned.

Secretary's Notes: Pursuant to recommendations contained in memoranda from appropriate individuals concerned, Governor Shepardson approved on behalf of the Board on June 20 and 21, 1961, respectively, acceptance of the resignations of the following persons, effective at the close of business June 23, 1961:

Sheffield A. Whitley, Cafeteria Laborer,
Division of Administrative Services

Carolyn M. Hall, Statistical Clerk, Division
of Research and Statistics

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Pursuant to recommendations contained in memoranda from appropriate individuals concerned, Governor Shepardson approved on behalf of the Board on June 21, 1961, increases in the basic annual salaries of the following persons on the Board's staff, effective June 25, 1961:

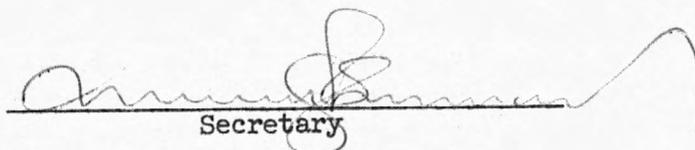
<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Board Members' Offices</u>			
Doreen Dippre, Secretary to Mr. King		\$ 7,560	\$ 7,820
<u>Office of the Secretary</u>			
Joan V. Caulfield, Senior Records Clerk		5,005	5,170
Barbara A. Byrne, Minutes Clerk		4,040	4,145
<u>Legal</u>			
Jeanne A. Chambers, Stenographer		4,145	4,250
Judy D. Taylor, Stenographer		4,040	4,145
<u>Research and Statistics</u>			
Marjorie Hollingshead, Clerk-Stenographer		4,040	4,145
Shirley Ann Owen, Secretary		4,675	4,840
June E. Quinn, Clerk-Stenographer		4,250	4,355
Mary Ann O'Leary, Secretary		4,840	5,005
Charles Alan Yager, Economist		12,470	12,730
<u>Bank Operations</u>			
L. Marie Phipps, Statistical Typist		4,565	4,670
Patricia A. Leonard, Statistical Clerk		3,760	3,865
<u>Examinations</u>			
Carol Lee Jones, Stenographer		4,040	4,145
Douglas L. Orre, Assistant Federal Reserve Examiner		6,015	6,180
Sandra J. Rider, Stenographer		4,040	4,145
Fred W. Troup, Supervisory Review Examiner		12,730	12,990

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Salary increases, effective June 25, 1961 (continued)

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Administrative Services</u>			
Joan C. Bell, Printing Clerk		\$4,995	\$5,160
William F. Becker, Captain, Guard Force		4,995	5,160
Ruth Jean Myers, Publications Clerk		5,170	5,335
Willa I. Davis, Clerk-Stenographer		4,355	4,460
P. D. Maddox, Guard		3,815	3,920
James Jackson, Laborer		3,710	3,815


Secretary

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

Item No. 1
6/21/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 21, 1961

Mr. Aubrey N. Heflin,
First Vice President,
Federal Reserve Bank of Richmond,
Richmond 13, Virginia.

Dear Mr. Heflin:

This refers to your letter of June 12, regarding the penalty of \$42.69 incurred by the Hallwood National Bank, Hallwood, Virginia, on a deficiency of 7.8 per cent in its required reserves for the biweekly period ended May 31, 1961.

It is noted that the deficiency may have resulted from reliance by the Hallwood National Bank on an incorrect balance reported to it by your Bank. It is also noted that the member bank has been notified of the deficiency but has not yet requested relief of any kind.

In the circumstances, and in view of your recommendation, the Board authorizes your Bank to waive the assessment of the penalty of \$42.69 for the period ended May 31, 1961.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.



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

Item No. 2
6/21/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 21, 1961

Board of Directors,
State Bank of Northfield,
Northfield, Minnesota.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Minneapolis, the Board of Governors of the Federal Reserve System approves, under the provisions of Section 24A of the Federal Reserve Act, an investment in bank premises by State Bank of Northfield of not to exceed \$100,000 for the purpose of acquiring and remodeling property for banking premises.

It is understood that subsequent to the inception of this program the capital stock of the bank will be increased by stock dividend to \$100,000 as required by the Commissioner of Banks for the State of Minnesota.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

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

Item No. 3
6/21/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 21, 1961

Board of Directors,
The Southwest Bank,
Inglewood, California.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of San Francisco, the Board of Governors, acting under the provisions of Section 19 of the Federal Reserve Act, grants permission to The Southwest Bank to continue to maintain the same reserves against deposits as are required to be maintained by banks located outside of central reserve and reserve cities, upon the opening of its additional branch in the city of Los Angeles.

Your attention is called to the fact that such permission is subject to revocation by the Board of Governors.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 4
6/21/61

OFFICE OF THE CHAIRMAN

June 22, 1961

The Honorable William L. Dawson,
Chairman,
Committee on Government Operations,
House of Representatives,
Washington 25, D. C.

Dear Mr. Chairman:

This is in response to your letter of June 12 requesting a report on the bill H.R. 7530 "To amend the Employment Act of 1946 to establish policies with respect to productive capital investments of the Government." This bill is the same as H.R. 960 and H.R. 1968 on which the Board reported to you in a letter dated February 14, 1961; and as H.R. 5135 and H.R. 5197 on which the Board reported to you in a letter dated June 8, 1960. As was done in the case of the Board's letter of February 14, 1961, a copy of the Board's letter of June 8, 1960 is enclosed for ready reference since it dealt in some detail with matters presented by these measures.

While a capital budget has some attractive features, the uncertainties attaching to these proposals outlined in my letter of last year continue to be applicable. Budgetary problems will not be solved by modifying the system of governmental accounting. It is even conceivable that focus on the technical accounting aspects of budgets might diminish attention to the fundamental economic problems.

For this reason and for other reasons spelled out in my previous letters to you the Board does not believe that adoption of the proposed budgetary system would serve a constructive purpose at this time.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.

Enclosure



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 5
6/21/61

OFFICE OF THE CHAIRMAN

June 21, 1961

Mr. Phillip S. Hughes,
Assistant Director for Legislative Reference,
Bureau of the Budget,
Washington 25, D. C.

Dear Mr. Hughes:

This is in response to your request of June 20, 1961, for the Board's views on the enrolled bill, S. 1619, "To authorize adjustments in accounts of outstanding old series currency, and for other purposes".

This is to advise that the Board recommends approval of this legislation by the President.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.