

Minutes for May 19, 1964.

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.

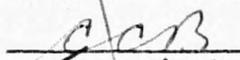
Chm. Martin



Gov. Mills



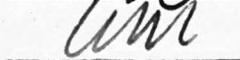
Gov. Robertson



Gov. Balderston



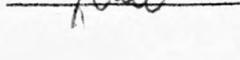
Gov. Shepardson



Gov. Mitchell



Gov. Daane



Minutes of the Board of Governors of the Federal Reserve System
on Tuesday, May 19, 1964. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Balderston, Vice Chairman
Mr. Mills
Mr. Robertson
Mr. Mitchell

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Broida, Assistant Secretary
Mr. Young, Adviser to the Board and Director,
Division of International Finance
Mr. Noyes, Adviser to the Board
Mr. Cardon, Legislative Counsel
Mr. Fauver, Assistant to the Board
Mr. Hackley, General Counsel
Mr. Farrell, Director, Division of Bank
Operations
Mr. Solomon, Director, Division of Examinations
Mr. Leavitt, Assistant Director, Division of
Examinations
Mr. Egertson, Supervisory Review Examiner,
Division of Examinations

Branch application (Item No. 1). Unanimous approval was given to a letter to Wells Fargo Bank, San Francisco, California, (copy attached as Item No. 1) approving the establishment of a branch in the Livestock Pavilion, San Mateo County, during the Republican National Convention scheduled to convene on July 13, 1964.

Report on proposed bill to extend direct purchase authority (Item No. 2). In a memorandum dated May 18, 1964, which had been distributed, Mr. Young, Senior Attorney, Legal Division, advised that the Bureau of the Budget had requested a report on a bill proposed by the Treasury Department that would extend for two years, from June 30, 1964, the authority of the Federal Reserve Banks to make direct purchases of

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U. S. Government obligations from the Treasury and to hold such obligations in an aggregate amount not exceeding \$5 billion at any one time. The direct purchase authority, first granted in 1942 (after being prohibited by the Banking Act of 1935), had been extended from time to time, since 1950 for two-year periods each. In recent years the requests for extension had been initiated by the Treasury, and the Board had customarily submitted favorable reports.

In discussion it was noted that in earlier years the Federal Reserve had taken the lead in obtaining the legislation and extensions of authority. In 1954, however, the Treasury had begun taking the lead. At one time the Board recommended that the authority be made permanent, but the proposed legislation was not passed, and it now seemed well established that the matter should come up at two-year intervals. The authority had been used most recently in 1958.

It was then agreed unanimously that the Budget Bureau should be advised that the Board favored the proposed legislation. A copy of the letter sent to the Bureau is attached as Item No. 2.

Coin shortage. In a letter dated May 14, 1964, President Bryan of the Federal Reserve Bank of Atlanta referred to the Board's letter of May 12, 1964, requesting information and views from the Reserve Banks regarding the coin situation. President Bryan observed that the Board's letter had suggested that the Reserve Banks get in touch with representative bankers "and businessmen" in their respective Districts in the

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process of obtaining the desired information. He expressed the view that the contacting of businessmen might run the risk of increasing the sense of general alarm with regard to the coin situation and increase the business hoarding of coin.

A draft of reply telegram that had been distributed would suggest that President Bryan use his own judgment about contacting businessmen. It would also suggest, however, that a sense of general alarm was needed to achieve effective remedial actions. The survey proposed in the May 12 letter had been intended to obtain a rough indication as to whether the coin production of approximately 5 billion pieces planned by the Mint for fiscal 1965 would come close to meeting the demand. Without some such evidence, extraordinary measures along the lines mentioned as possibilities in the May 12 letter would seem hard to justify.

In light of the question presented by President Bryan's letter, there was a general discussion of the coin situation, near-term and longer run prospects, and procedures that might be most effective in dealing with the problem and contributing to a solution. Mr. Farrell outlined his understanding of the views held within the Treasury Department, including the Bureau of the Mint. It was then suggested that it might be desirable if an opportunity could be provided for the Board members and the Reserve Bank Presidents to meet with Mr. Robert A. Wallace, Assistant Secretary of the Treasury, and the Director or another representative of the Mint for an exchange of information and opinions. There being

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general concurrence with this suggestion, it was understood that an effort would be made to arrange such a meeting on Tuesday, May 26, following the meeting of the Federal Open Market Committee, and that in the circumstances a reply to the question raised in President Bryan's letter of May 14 would be withheld.

Secretary's Note: A meeting was held on May 26 with Assistant Secretary Wallace and Miss Eva B. Adams, Director of the Mint. A memorandum of the meeting is being placed in the Board's files.

The meeting then adjourned.

Secretary's Notes: Pursuant to the understanding at the Board meeting on April 24, 1964, a letter was sent today to the Chairman of each Federal Reserve Bank, with copies to the President and General Auditor of each Reserve Bank, advising that the Chairman of the Conference of Chairmen concurred in the Board's proposal to hold a special Conference of General Auditors and that the Conference was scheduled to be held in the Board's offices on June 25 and June 26, 1964.

Pursuant to recommendations contained in memoranda from appropriate individuals concerned, Governor Robertson, acting in the absence of Governor Shepardson, today approved on behalf of the Board the following actions relating to the Board's staff:

Appointments

Robert P. Forrestal as Attorney, Legal Division, with basic annual salary at the rate of \$8,410, effective the date of entrance upon duty.

Dorothy M. Vereb as Statistical Clerk, Division of Bank Operations, with basic annual salary at the rate of \$4,355, effective the date of entrance upon duty.

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Appointments (continued)

Rosa L. Falcone as Clerk-Stenographer, Division of Personnel Administration, with basic annual salary at the rate of \$3,880, effective the date of entrance upon duty.

Jacqueline Gillmore as Clerk-Stenographer, Division of Personnel Administration, with basic annual salary at the rate of \$3,880 effective the date of entrance upon duty.

Transfer

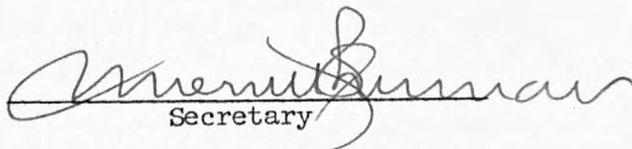
Mary L. Morris, from the position of Stenographer in the Division of Examinations to the position of Secretary in the Office of the Secretary, with an increase in basic annual salary from \$4,495 to \$4,850, effective upon assuming her new duties.

Salary increase

Mary Janice Krummack, Economist, Division of Research and Statistics, from \$7,260 to \$8,410 per annum, effective May 24, 1964.

Acceptance of resignation

Margaret Brewster, Clerk, Division of International Finance, effective June 12, 1964.


Secretary

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 1
5/19/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 19, 1964.

Board of Directors,
Wells Fargo Bank,
San Francisco, California.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch by Wells Fargo Bank in the Livestock Pavilion, Geneva Avenue and Rio Verde Street, San Mateo County, California, such branch to be operated for the duration of the Republican National Convention which is scheduled to convene on July 13, 1964.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

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Item No. 2
5/19/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 19, 1964.

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

Attention: Mr. Rommel

Dear Mr. Hughes:

This is in response to your letter dated May 18, 1964, requesting the Board's views on a bill proposed by the Treasury which would amend section 14(b) of the Federal Reserve Act, as amended, to extend for two years the authority of the Federal Reserve Banks to purchase United States obligations directly from the Treasury. Under existing law the authority will terminate on June 30, 1964.

The use of this authority by the Federal Reserve enables the Treasury to avoid creating unnecessary financial strains that would otherwise occur if it had to draw heavily on its accounts especially during periods immediately preceding tax payment dates. Temporary Treasury borrowing at such times, followed by prompt repayment from the proceeds of tax payments, provides a smooth operating mechanism, without the abrupt money market fluctuations that would otherwise occur. The authority could also be useful in dealing with situations resulting from a national emergency. Since 1942 when the authority was granted it has been sparingly used, and its use is reported, as required by law, each year in detail in the Board's Annual Report. The results of its use also appear currently in weekly statements issued by the Federal Reserve and in daily statements issued by the Treasury.

Accordingly, the Board favors the proposed legislation.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.