

Minutes for March 1, 1965

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

(M)

Gov. Robertson

R

Gov. Balderston

CCB

Gov. Shepardson

SP

Gov. Mitchell

M

Gov. Daane

DD

Minutes of the Board of Governors of the Federal Reserve System on Monday, March 1, 1965. 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. Mitchell
Mr. Daane

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Broida, Assistant Secretary
Mr. Noyes, Adviser to the Board
Mr. Molony, Assistant to the Board
Mr. Fauver, Assistant to the Board
Mr. Spencer, General Assistant, Office of the Secretary

Messrs. Brill, Holland, Koch, Garfield, Williams, Dembitz, Axilrod, Eckert, Fisher, Gehman, Gramley, Keir, Thompson, Trueblood, and Wernick of the Division of Research and Statistics

Messrs. Hersey, Katz, Irvine, Reynolds, Wood, Emery, Gekker, Hayes, and Maroni of the Division of International Finance

Mr. Hayes, President, Federal Reserve Bank of New York

Economic review. The Division of International Finance reported on international financial conditions, following which the Division of Research and Statistics presented information relating to the domestic economy.

President Hayes and all members of the Board's staff who had been present except Messrs. Sherman, Kenyon, Broida, Molony,

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Fauver, Brill, and Spencer then withdrew from the meeting and the following entered the room:

- Mr. Cardon, Legislative Counsel
- Mr. Hackley, General Counsel
- Mr. Solomon, Director, Division of Examinations
- Mr. Shay, Assistant General Counsel
- Mr. Young, Senior Attorney, Legal Division
- Mr. Egertson, Supervisory Review Examiner, Division of Examinations

Distributed items. The following items, copies of which are attached to these minutes under the respective item numbers indicated, were approved unanimously:

- | | <u>Item No.</u> |
|--|-----------------|
| Letter to the Chairman of the House Committee on Government Operations reporting on H. R. 4623, a bill that would provide the President with permanent authority under the Reorganization Act of 1949, as amended. | 1 |
| Letter to the Chairman of the House Committee on Government Operations reporting on H. R. 4653, a bill "To authorize checks to be drawn in favor of banking organizations for the credit of a person's account, under certain conditions." | 2 |

Report on competitive factors (Beverly Hills-Torrance, California). A report to the Comptroller of the Currency on the competitive factors involved in the proposed merger of Guaranty Bank, Torrance, California, into City National Bank, Beverly Hills, California, was approved unanimously for transmittal to the Comptroller. The conclusion read as follows:

The proposed merger of Guaranty Bank, Torrance, into City National Bank, Beverly Hills, would not have adverse competitive effects.

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Messrs. Young and Egertson then withdrew from the meeting.

Record of Board policy actions. At the meeting on February 25, 1965, the Board considered draft entries for the record of Board policy actions to be published in the Annual Report for 1964 that had been submitted with a distributed memorandum from Mr. Sherman dated February 23, 1965. At the conclusion of the discussion at that time, it was understood that the entries would reflect in final form certain changes of an editorial nature and that a revised draft of entry relating to the Board actions on November 23, 1964, approving an increase in Reserve Bank discount rates and amendment of the Supplement to Regulation Q, Payment of Interest on Deposits, would be prepared for further consideration. Pursuant to that understanding, there now had been distributed revised draft entries relating to the Board actions on November 23, 1964. One entry covered the discount rate increase, and another the increase in Regulation Q maximum rates.

Following consideration at today's meeting, the 1964 policy record entries of the Board, in the form distributed except for one additional change in the statement of reasons for the discount rate action, were approved unanimously for inclusion in the Board's Annual Report.

Statement on H. R. 5280. Copies had been distributed of a draft of statement to be presented by Chairman Martin on March 3, 1965, before the Antitrust Subcommittee of the House Committee on the Judiciary with regard to H. R. 5280, a bill intended to implement

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one of the recommendations of the President on February 10, 1965, in his Message to Congress on the balance of payments problem of the United States. In essence, H. R. 5280 would provide exemption from the antitrust laws for discussions among banks and certain other financial institutions, and formulation by them, of voluntary agreements or programs to restrain private outflows of dollar funds detrimental to the balance of payments position of the United States, if such actions were taken pursuant to request of the President or his delegate. The bill would also exempt from the antitrust laws any acts or omissions to act that occurred pursuant to any such voluntary agreement or program approved either by the President or by a delegate of the President, and also the Attorney General.

Mr. Shay reported that a copy of the draft statement had been furnished to the Treasury Department for its information because the Under Secretary of the Treasury for Monetary Affairs would also be presenting a statement. In discussion with the Treasury's General Counsel, a view was expressed that the statement proposed to be made by Chairman Martin was not too strong in its support of the proposed legislation. Mr. Shay suggested several changes that might be made in the draft if the Board so desired.

During the general discussion that ensued, Governor Robertson and other members of the Board presented a number of suggestions with regard to the scope and tenor of the statement. In general, these

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suggestions were intended to reflect full support for the proposed legislation but at the same time to refrain from making a commitment at this time as to the need for setting up an apparatus for the current moral suasion effort such as was developed for the Voluntary Credit Restraint Program in 1951-52.

It was understood that these suggestions would be taken into account in a revision of the draft and that a revised statement would be distributed to the members of the Board for review prior to Chairman Martin's appearance before the Antitrust Subcommittee.

The meeting then adjourned.

Secretary's Notes: Governor Shepardson today approved on behalf of the Board the following items:

Letter to the Federal Reserve Bank of San Francisco (attached Item No. 3) approving the appointment of David Roland Christenson as assistant examiner.

Memorandum from Irene M. Fender, Statistical Clerk, Division of Research and Statistics, requesting permission to work as a hostess for REPS Co., Silver Spring, Maryland.

Governor Shepardson today noted on behalf of the Board a memorandum from the Division of International Finance advising that application for disability retirement had been filed by Boris C. Swerling, Senior Economist in that Division, effective March 1, 1965.

Secretary



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 1
3/1/65

OFFICE OF THE CHAIRMAN

March 2, 1965.

The Honorable William L. Dawson, Chairman,
Committee on Government Operations,
United States House of Representatives,
Washington, D. C. 20515

Dear Mr. Chairman:

This is to advise, in response to your letter of February 11, 1965, that the Board has no objection to H. R. 4623, which would provide the President with permanent authority under the Reorganization Act of 1949, as amended.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 2
3/1/65

OFFICE OF THE CHAIRMAN

March 2, 1965

The Honorable William L. Dawson, Chairman,
Committee on Government Operations,
United States House of Representatives,
Washington, D. C. 20515

Dear Mr. Chairman:

This is in response to your request of February 11, 1965, for a report on the bill, H. R. 4653, "To authorize checks to be drawn in favor of banking organizations for the credit of a person's account under certain conditions." It is understood that the purpose of the bill is to permit Government agencies to draw a single check in favor of banking organizations for the credit of the accounts of persons who regularly receive Government checks.

The Board recommends favorable consideration of the bill. It gives promise of promoting economy and efficiency of operations, at least in the case of the larger Government and department agencies. In addition, to the extent that they elect to utilize this authority, it will reduce the number of checks presented to the Federal Reserve Banks for collection, thereby possibly cutting operating costs of the Reserve Banks.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

Item No. 3
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ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 1, 1965.

CONFIDENTIAL (FR)

Mr. E. H. Galvin, Vice President,
Federal Reserve Bank of San Francisco,
San Francisco, California. 94120

Dear Mr. Galvin:

In accordance with the request contained in Mr. Cavan's letter of February 24, 1965, the Board approves the appointment of David Roland Christenson as an assistant examiner for the Federal Reserve Bank of San Francisco, effective March 1.

It is noted that Mr. Christenson is indebted to Bank of America National Trust and Savings Association, San Francisco. Accordingly, the Board's approval of the appointment of Mr. Christenson is given with the understanding that he will not participate in any examination of that bank until his indebtedness has been liquidated.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.