

Minutes for February 23, 1966

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. Robertson

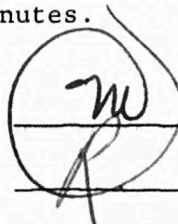
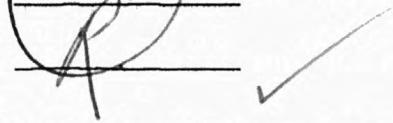
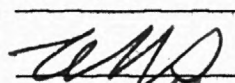
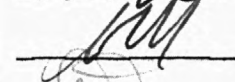
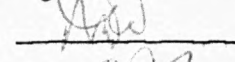
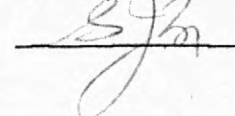
Gov. Balderston

Gov. Shepardson

Gov. Mitchell

Gov. Daane

Gov. Maisel

Minutes of the Board of Governors of the Federal Reserve System on Wednesday, February 23, 1966. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Robertson
Mr. Shepardson
Mr. Daane

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Young, Senior Adviser to the Board and
Director, Division of International Finance
Mr. Holland, Adviser to the Board
Mr. Solomon, Adviser to the Board
Mr. Molony, Assistant to the Board
Mr. Cardon, Legislative Counsel
Mr. Fauver, Assistant to the Board
Mr. Hackley, General Counsel
Mr. Brill, Director, Division of Research and
Statistics
Mr. Solomon, Director, Division of Examinations
Mr. Johnson, Director, Division of Personnel
Administration
Mr. Sammons, Associate Director, Division of
International Finance
Mr. Kiley, Assistant Director, Division of Bank
Operations
Mr. Leavitt, Assistant Director, Division of
Examinations
Mrs. Semia, Technical Assistant, Office of the
Secretary
Miss Wolcott, Secretary to Governor Balderston
Messrs. Egertson, Maguire, and Poundstone of
the Division of Examinations

Approved items. Appropriate background material, including staff recommendations, had been submitted to the Board regarding the following matters. The items were approved unanimously after discussion of various questions raised by members of the Board. Copies are attached under the indicated item numbers.

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Item No.

Letter to The North Fork Bank and Trust Company, Mattituck, New York, approving the establishment of a branch in Shelter Island Heights.

1

Letter to the Commerce Union Bank, Nashville, Tennessee, approving the establishment of a branch in the Nashville Stockyards Office Building.

2

Letter to the Federal Deposit Insurance Corporation regarding the application of Eden State Bank, Eden, Texas, for continuation of deposit insurance after withdrawal from membership in the Federal Reserve System.

3

Letter to International Bank of Commerce, Seattle, Washington, approving an amendment to its Articles of Association.

4

Letter to Bank of America National Trust and Savings Association, San Francisco, California, approving the establishment of a branch in Santiago, Chile.

5

Memorandum dated February 17, 1966, from the Divisions of Examinations and Bank Operations suggesting that reports by the U.S. Secret Service of surveys of the protection function at the respective Reserve Banks be sent to the Banks concerned.

6

Letter to the Comptroller of the Currency regarding the Board's request for information on national banks in the problem or special attention categories.

7

Letter to the Federal Reserve Bank of Cleveland approving the payment of salary to James H. Campbell, Assistant Cashier, at the annual rate fixed by the Bank's Board of Directors.

8

Memorandum dated February 18, 1966, from Mr. Young regarding System attendance at the training course to be offered by the Center for Latin American Monetary Studies in 1966.

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Reports on competitive factors. After discussion, reports on the competitive factors involved in the following proposed mergers were approved unanimously for transmittal, the conclusions being stated as follows:

To the Comptroller of the Currency regarding the proposed merger of The First National Bank of Chateaugay, Chateaugay, New York, into The Farmers National Bank of Malone, Malone, New York

The proposed merger of The First National Bank of Chateaugay into The Farmers National Bank of Malone would eliminate existing as well as potential competition between the two institutions and would reduce the number of banking alternatives in the Malone area from four to three. The overall effect would be adverse.

To the Federal Deposit Insurance Corporation regarding the proposed merger of First National Bank of Cambridge Springs, Cambridge Springs, Pennsylvania, into Northwest Pennsylvania Bank & Trust Co., Oil City, Pennsylvania

The proposed merger of Northwest Pennsylvania Bank & Trust Co., Oil City, and First National Bank of Cambridge Springs would eliminate some competition existing between them.

Subcommittee (Problem Banks) of Coordinating Committee. A Subcommittee on Problem Banks had been established by the Coordinating Committee on Bank Regulation and Mr. Solomon (Examinations) was designated to serve as the representative of the Board of Governors on the Subcommittee, with Mr. Leavitt as his alternate. There had been distributed a memorandum dated February 17, 1966, from Mr. Solomon attaching a copy of the minutes of the first meeting of the Subcommittee. The Subcommittee members had agreed to seek the views of their respective agency heads regarding the feasibility of exchanging at the district

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or field level more complete information on problem banks and related matters including, but not limited to, the furnishing of periodic schedules of problem banks.

Mr. Solomon commented that since the Board had previously urged exchange of information between the Regional Comptrollers and the Reserve Banks at the local level, he assumed that the Board would favor this practice, but he would appreciate any further guidance the Board wished to give.

There was agreement that the proposed exchange of information would be appropriate.

Replies to questions by Senator Javits (Item No. 10). There had been distributed draft replies to be made by Chairman Martin to questions submitted by Senator Javits in connection with the Joint Economic Committee's hearings on the 1966 Economic Report. The questions dealt in essence with coordination between Administration economic policy makers and the Federal Reserve.

At the beginning of the discussion Chairman Martin indicated that the draft replies had been shown to Governors Mitchell and Maisel, who had expressed no objection to their being sent. In the ensuing interchange of comments, Governor Daane suggested inclusion in the reply to one of the questions of a reference to the fact that while the provisions of the fiscal 1967 budget were not known at the time of the discount rate action on December 3, 1965, the Board was aware of current and predicted expenditure trends under the fiscal 1966 budget.

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At the conclusion of the discussion it was agreed that the foregoing suggestion would be taken into account and that the replies would be transmitted in a final form satisfactory to Chairman Martin. A copy of the letter transmitting the replies to Chairman Patman of the Joint Economic Committee is attached as Item No. 10.

The meeting then adjourned.

Secretary's Notes: On February 21, 1966, with the approval of the available members of the Board (Chairman Martin and Governors Robertson and Shepardson), the letter of which a copy is attached as Item No. 11 was sent to the Bureau of the Budget regarding a draft bill of the Department of Housing and Urban Development to amend various housing laws.

On February 21, 1966, Governor Shepardson approved on behalf of the Board the following items:

Letter to the Federal Reserve Bank of Boston (attached Item No. 12) regarding the appointment of Lee J. Aubrey as Assistant Federal Reserve Agent.

Letter to the Federal Reserve Bank of Cleveland (attached Item No. 13) approving the designation of Samuel Willow as special assistant examiner.

Memoranda recommending the following actions relating to the Board's staff:

Appointment

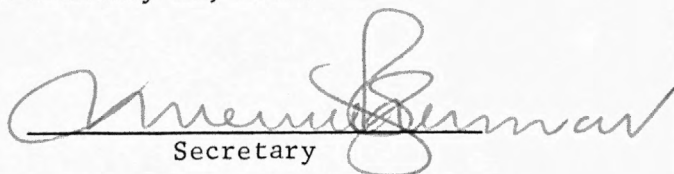
Ruby S. Dove as Secretary, Division of Personnel Administration, with basic annual salary at the rate of \$6,662, effective the date of entrance upon duty.

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Transfer

Donna Gail Sisk, from the position of Clerk-Typist in the Division of Personnel Administration to the position of Clerk-Typist in the Division of Administrative Services, with no change in basic annual salary at the rate of \$3,814, effective February 21, 1966.


Secretary



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

Item No. 1
2/23/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 23, 1966

Board of Directors,
The North Fork Bank and
Trust Company,
Mattituck, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by The North Fork Bank and Trust Company, Mattituck, New York, of a branch in the vicinity of the intersection of Chase Avenue and Grand Avenue, Shelter Island Heights (Unincorporated Area), Town of Shelter Island, Suffolk County, New York, provided the branch is established within six months from the date of this letter.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.

(The letter to the Reserve Bank stated that the Board also had approved a six-month extension of the period allowed to establish the branch; and that if an extension should be requested, the procedure prescribed in the Board's letter of November 9, 1962 (S-1846), should be followed.)

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

Item No. 2
2/23/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 23, 1966



Board of Directors,
Commerce Union Bank,
Nashville, Tennessee.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Commerce Union Bank, Nashville, Tennessee, of a branch in the Nashville Stockyards Office Building at 902 Second Avenue, North, Nashville, Tennessee, provided the branch is established within six months from the date of this letter.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.

(The letter to the Reserve Bank stated that the Board also had approved a six-month extension of the period allowed to establish the branch; and that if an extension should be requested, the procedure prescribed in the Board's letter of November 9, 1962 (S-1846), should be followed.)

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 3
2/23/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 23, 1966

The Honorable K. A. Randall, Chairman,
Federal Deposit Insurance Corporation,
Washington, D. C. 20429

Dear Mr. Randall:

Reference is made to your letter of February 1, 1966, concerning the application of Eden State Bank, Eden, Texas, for continuance of deposit insurance after withdrawal from membership in the Federal Reserve System.

There have been no corrective programs urged upon the bank, or agreed to by it, which have not been fully consummated, and there are no such programs that the Board would advise be incorporated as conditions of admitting the bank to membership in the Corporation as a nonmember of the Federal Reserve System.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 4
2/23/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 23, 1966



International Bank of Commerce,
1100 Second Avenue,
P. O. Box 3966,
Seattle, Washington. 98124

Gentlemen:

Reference is made to your letter dated January 28, 1966, enclosing a copy of a resolution adopted at a meeting of shareholders of your Corporation on January 27, 1966, increasing the capital stock of your Corporation to \$2,500,000, consisting of 250,000 shares of the par value of \$10 each.

In accordance with your request, and pursuant to the provisions of Section 211.3(a) of Regulation K, the Board of Governors approves the amendment to Article SEVENTH of your Articles of Association reading as follows: "The capital stock of this corporation shall be \$2,500,000, consisting of 250,000 shares of common stock of the par value of ten dollars (\$10.00) a share."

It is noted that the capital increase will be effected by the sale of 50,000 additional shares to the National Bank of Commerce of Seattle at par.

Please advise the Board of Governors when the capital increase has been effected.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 5

2/23/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 23, 1966.

Bank of America National Trust
and Savings Association,
300 Montgomery Street,
San Francisco, California. 94120

Gentlemen:

The Board of Governors of the Federal Reserve System grants its permission to Bank of America National Trust and Savings Association, San Francisco, California, pursuant to the provisions of Section 25 of the Federal Reserve Act, to establish a branch in the City of Santiago, Chile, and to operate and maintain such branch subject to the provisions of such Section and of Regulation M.

Unless the branch is actually established and opened for business on or before March 1, 1967, all rights granted hereby shall be deemed to have been abandoned and the authority hereby granted will automatically terminate on that date.

As you are aware, with respect to the establishment of foreign branches, funds provided by home office (whether in the form of allocated capital, advances or otherwise) should be regarded as foreign assets for purposes of the voluntary foreign credit restraint effort.

Please inform the Board of Governors, through the Federal Reserve Bank of San Francisco, when the branch is opened for business, furnishing information as to the exact location of the branch. The Board should also be promptly informed of any future change in location of the branch within the City of Santiago.

Very truly yours,


(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.

Item No. 6
2/23/66

DATE: February 17, 1966.

TO: The Board of Governors SUBJECT: Surveys of Protection Function
FROM: Division of Examinations and at the Reserve Banks.
Division of Bank Operations


It may be recalled that, as recommended by the Staff Committee to study responsibilities of Board Divisions regarding examination and supervision of Reserve Banks, the Board arranged for the Secret Service to make surveys of the protection function at each Reserve Bank.

These surveys have now been carried out at the Federal Reserve Banks of Philadelphia, Cleveland, and Chicago. Others are being scheduled.

The written report has been received from the Secret Service on the survey of the Federal Reserve Bank of Philadelphia. It does not make any major criticisms, but offers a number of suggestions that may be helpful. A copy is available for any Board member or interested staff member that may wish to see it.

Unless there is some objection, it is proposed that as the reports become available they be sent to the respective Reserve Banks for any comments the Reserve Bank may wish to make. If there appear to be any matters that might be of particular interest to the Board, especially any major differences of opinion between the surveys and the Reserve Banks, they will be brought to the attention of the Board.

Item No. 7
2/23/66



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

OFFICE OF THE CHAIRMAN

February 24, 1966

Mr. James J. Saxon,
Comptroller of the Currency,
Treasury Department,
Washington, D. C. 20220

Dear Jim:

We are glad to supply you with the information regarding borrowings of individual National Banks from the Reserve Banks as it becomes available through the automation of the data.

Your letter of February 10, 1966, indicates that you no longer use the rating system that designates National Banks with a composite rating of 3 or 4. In order that the System may have necessary current information regarding National Banks, we will appreciate it if you will keep the respective Federal Reserve Banks currently informed of the names of National Banks that are considered so-called "problem" banks or for which special attention is otherwise considered appropriate.

If I have not been sufficiently specific in indicating the kind of banks in which we are interested, we probably could identify them more precisely if you would advise us of the type of rating or classification system now utilized by your Office for identifying the different categories of National Banks.

Sincerely yours,

(Signed) Bill

Wm. McC. Martin, Jr.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 8
2/23/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 23, 1966

CONFIDENTIAL (FR)

Mr. W. Braddock Hickman, President,
Federal Reserve Bank of Cleveland,
Cleveland, Ohio. 44101

Dear Mr. Hickman:

The Board of Governors approves the payment of salary to Mr. James H. Campbell as Assistant Cashier, Federal Reserve Bank of Cleveland, at the rate of \$14,000 per annum, for the period March 1 through December 31, 1966. The rate approved is that fixed by your Board of Directors as reported in your letter of February 10, 1966.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.



Item No. 9
2/23/66

TO: Board of Governors

DATE: February 13, 1966.

FROM: Ralph A. Young

SUBJECT: Trainees for CEMLA for 1966.

Two candidates from the System have been proposed to attend the annual course offered by the Center for Latin American Monetary Studies (CEMLA) in Mexico City. The course begins on May 2 and ends on September 9, including the final two weeks that are spent in Washington and New York.

The candidates are:

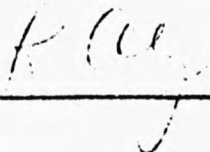
1. David C. Redding, an economist in the Board's Asia Africa and Latin America Section, whose assignment is Latin America, and
2. Miss Kathryn M. Norstrom, an economist in the Latin American Unit of Foreign Research Division of the New York Bank.

Both candidates are well qualified to participate in the CEMLA course, and they should represent the System well.

I recommend that the Board approve participation in the course of Mr. Redding and Miss Norstrom, and the payment of the standard per diem for Mr. Redding.

Draft letters for the Chairman's signature notifying CEMLA and for the Secretary's signature notifying President Hayes of this action, if approved by the Board, are attached.

Attachments.





BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

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Item No. 10
2/23/66

OFFICE OF THE CHAIRMAN

February 28, 1966.

The Honorable Wright Patman,
Chairman,
Joint Economic Committee,
Congress of the United States,
Washington, D. C. 20510

Dear Mr. Chairman:

For inclusion in the record of your Committee's
hearings on the President's 1966 Economic Report, I am
enclosing my answers to questions submitted by Senator
Javits as transmitted by Mr. Knowles in his letter dated
February 3, 1966.

Sincerely yours,

A handwritten signature in cursive script, reading "Wm. McC. Martin, Jr.", is written over the typed name.

Wm. McC. Martin, Jr.

Enclosure

ANSWERS BY CHAIRMAN MARTIN TO QUESTIONS
FROM SENATOR JAVITS FOR INCLUSION IN
RECORD OF JEC HEARINGS

1. On January 28 I introduced a concurrent resolution expressing the sense of the Congress that there is a need to improve economic policy coordination between Administration economic policy makers and the Federal Reserve Board. The resolution indicates several areas where coordination may be improved. Would you comment on the resolution and the problem of economic policy coordination in the Federal Government in general?

In general, I would agree with Secretary Fowler's statement before your Committee to the effect that communication between the Federal Reserve Board and the other agencies of Government concerned with economic policies has been excellent. I believe that what is sometimes described as a failure of coordination last December arose not because of any breakdown in communications, but because the majority of the Board of Governors were convinced that the time had come to act, even though they knew that Administration officials counseled delay.

The requirements of S. Con. Res. 73 were met in the period leading up to the Board's actions of December 3, I think, with two exceptions. The two exceptions were (1) that the meetings of the Quadriad in 1965 were not held "at regular intervals" and (2) that I did not notify the President that the Federal Reserve Banks of New York and Chicago had proposed increases in their discount rates. On the first point, I see no particular advantage in fixing a regular meeting day for the Quadriad, which now meets at the call of the President. The present flexibility allows meetings to be timed so as to coincide with developments as they unfold in the economy. While I see no objection to specifying a minimum number of meetings per year, there

were, as you know, more meetings in 1965 than the minimum specified in the resolution. As to the second point--notifying the President of any action taken by a Reserve Bank to initiate an increase in its discount rate--it should be understood that these actions were taken by the two Reserve Banks on December 2. I had informed the President on October 6--almost two months earlier--that I believed a discount rate rise was necessary. I had hoped to discuss the matter with the President further, but his surgery and convalescence intervened, and a meeting that I had expected to take place on November 26 was cancelled. But my efforts to keep the Secretary of the Treasury informed of developments included notifying him on the morning of December 3 that an increase in the discount rate would be considered that day by the Board and that I would vote for it. I believe that the President is entitled to, and was given, more information, sooner, than he would get from the notice contemplated in the resolution.

The resolution states a premise that I would expect all to agree upon: there should be "full and free exchange of views and information among the agencies of the Government exercising primary responsibilities in fiscal and monetary affairs." While judgments obviously may differ, I believe that the efforts of the people involved to establish this kind of coordination have been highly successful. We should, of course, try to do even better, and I believe that this effort will continue, whether or not S. Con. Res. 73 is adopted.

2. Would you tell the Committee how, specifically, economic policy coordination was achieved between the Administration and the Federal Reserve Board at the time the Fed raised the discount rate last December 3?

On October 6, 1965, as he had several times previously in that year, the President met with the Secretary of the Treasury, the Director of the Bureau of the Budget, the Chairman of the Council of Economic Advisers, and myself. At the meeting, I expressed the view that the 4-1/2 per cent ceiling on interest rates banks could pay on certificates of deposit should be raised and that this would entail a simultaneous increase in the 4 per cent discount rate. In the course of the discussions, the President requested that an assessment of the outlook for economic activity and for prices be prepared and presented at a subsequent meeting, to be held in two or three weeks. Members of the staffs of the four agencies, working together, prepared such an analysis and presented it to their four principals early in November. Although the meeting projected for November was cancelled, the regular meetings between Treasury and Federal Reserve representatives continued; that is, I met regularly with the Secretary of the Treasury and his associates on Mondays, and on Wednesdays the Under Secretary of the Treasury for Monetary Affairs and his associates met with me and other members of the Board and its staff. Throughout, I kept other members of the Board abreast of the views expressed by Administration officials, and the Board members were informed of developments in the economy as the data became available, through the regular briefings, memoranda, and discussions that are a continuing part of the Board's operations.

Administration officials knew that the actions that eventually were taken by the Board on December 3 were under active consideration and that I favored taking them. The Board members knew that the Administration advocated a delay. The differences in judgments were due not to a failure of communications, but to differing assessments of the need for action.

3. Is it your practice and that of the other members of the "Quadriad" to circulate high-level policy papers with members of the Federal Reserve Board?

Ordinarily, the meetings of the Quadriad have not produced policy papers. Rather, we have reasoned together in a less formal atmosphere. On occasion, however, members of the Quadriad and their staffs have produced papers for presentation at the meetings. The information and views contained in these papers have been given to the Board, although the papers themselves have not been distributed. The texts can be readily reproduced for distribution, however, and henceforth those that are distributed at the meetings will be distributed regularly to Board members.

4. To what extent was the Federal Reserve Board informed of the Administration's plans for the FY 1967 budget and its estimate of the nation's economic outlook on December 3, 1965?

Although it was evident that developments in Vietnam were requiring significant upward revisions in Federal spending plans over the balance of fiscal 1966, the Board did not have the Administration's figures for the fiscal 1967 budget (if, in fact, those figures had been determined). In my judgment information about the proposed new budget was not relevant to the decisions the Board then made. The 4-1/2 per cent

ceiling on certificates of deposit and the 4 per cent discount rate were unrealistic in the light of market conditions prevailing not only on December 3 but for several weeks before. Although the President announced his budget proposals in January, their true impact will be felt six to eighteen months later, as the Government's total tax and expenditures policies are translated into action.

I find it difficult to add to what has already been said regarding the extent to which the Board was informed about the Administration's estimate of the economic outlook. The underlying economic data were presented to the Board and analyzed by the Board's staff in memoranda, briefings, and discussions. Certainly in broad outline the Administration's point of view was communicated to the Board. If my efforts in this direction were not enough, the deficiencies should have been remedied by the public statements of three cabinet officials in the week preceding December 3, which were called to the attention of the Board.

5. Would you say that when the Federal Reserve Board decided to raise the discount rate it acted without full knowledge of the Administration's plans?

For the reasons given above, I would not.

6. In what way do you think economic policy coordination mechanism could be improved? How do you think, for example, the Fed's decision would have been affected by waiting another 4 to 6 weeks? What decisions did the Administration make in that period which would have affected that decision?

The concern that has been expressed about the "informality" of the present arrangements is somewhat puzzling to me. In part, this seems to reflect a belief that the arrangements should be reduced to writing and promulgated, perhaps by Executive Order. While there may be some advantage

to this kind of formality, there is at least a possibility that procedures for coordination would then be harder to change, and thus less easily improved. The fact that the regular meetings between the Federal Reserve and the Treasury take place at lunch has occasioned some comment. The meetings between the Council of Economic Advisers and the Federal Reserve, which have occurred at irregular intervals in the past but which are now scheduled to be held every two weeks, are also luncheon meetings. I see no reason to prevent busy men from having lunch while they talk. Nor do I think that conversations are any less fruitful at an "informal" lunch than they would be at a "formal" ten o'clock meeting without so much as a cup of coffee. In the end, it seems to me that personal relationships rather than formal procedures are primary in facilitating communication and cooperation.

Delaying the December 3 action by four to six weeks might or might not have meant that it could then have been taken with greater agreement within the Board or with the endorsement of the Administration. No one can be sure of that. But in my judgment action was already overdue when it was taken. I cannot say what decisions might have been made by the Administration between December 3 and January 14 if the Board had waited; I can say, however, that no decisions were made in that period which would have given me cause to change my vote had I known of them on December 3. I do not mean by this that any such decisions ought to have been made. On the contrary, I believe that conditions prevailing in the economy in the weeks preceding December 3 called for the actions the Board then took, without regard to the decisions on tax and expenditures

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policies that are to be made in 1966. The economic intelligence that has since come to light supports the view that the actions taken by the Federal Reserve on December 3 were correct, and should not have been delayed further.

7. How much staff support is made available in advance of the regular meetings of the Quadriad? Would you favor the establishment of a small secretariat for this purpose?

The members of the Quadriad draw upon the staffs of their respective agencies where needed. I see no reason to establish a separate staff for Quadriad meetings.



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

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Item No. 11
2/23/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 21, 1966

Mr. Phillip S. Hughes,
Assistant Director for
Legislative Reference,
Bureau of the Budget,
Washington, D. C. 20503

Dear Mr. Hughes:

This refers to your Legislative Referral Memorandum of February 17, 1966, requesting the views of the Board by the close of business Monday, February 21, 1966, on a draft bill of the Department of Housing and Urban Development to amend various housing laws.

A review of so comprehensive a measure has not been possible in the time allowed. However, as the draft bill does not seem to involve matters of primary concern to the Board, there is no objection to its submission for introduction and consideration by the Congress.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

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Item No. 12
2/23/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 21, 1966



Mr. Erwin D. Canham, Chairman,
Federal Reserve Bank of Boston,
Boston, Massachusetts. 02106

Dear Mr. Canham:

Reference is made to your letter of January 24 regarding the appointment of Lee J. Aubrey as Assistant Federal Reserve Agent, effective February 1, 1966.

The Board agrees that there should be no restriction upon the normal responsibilities the Assistant Federal Reserve Agent assumes in the course of assigned duties. Accordingly, it is understood that the responsibilities of Mr. Aubrey, as Assistant Federal Reserve Agent, include access to or physical control over unissued Federal Reserve notes stored in cash agent banks. The Board believes similarly that there need be no restriction on the normal responsibilities of the Alternate Assistant Federal Reserve Agents, and thus would interpose no objection to the extension of the same understanding to them, if you so desire.

The Board understands that the officers listed in Group 1, from which Mr. Aubrey's name has been removed, shall continue to be special representatives of the Federal Reserve Agent for the sole purpose of maintaining custody on behalf of the Agent of notes stored in cash agent banks.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

BOARD OF GOVERNORS
OF THE

FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 13
2/23/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 23, 1966



Mr. Harry W. Huning, Vice President,
Federal Reserve Bank of Cleveland,
Cleveland, Ohio. 44101

Dear Mr. Huning:

In accordance with the request contained in your letter of February 15, 1966, the Board approves the designation of Samuel Willow as a special assistant examiner for the Federal Reserve Bank of Cleveland.

Appropriate notation has been made on our records of the name to be deleted from the list of special assistant examiners.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.