

3/21/47 Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, March 21, 1947.

PRESENT: Mr. Eccles, Chairman
 Mr. Draper
 Mr. Evans
 Mr. Vardaman
 Mr. Clayton

Mr. Carpenter, Secretary
 Mr. Sherman, Assistant Secretary
 Mr. Thurston, Assistant to the Chairman

Minutes of actions taken by the Board of Governors of the Federal Reserve System on March 20, 1947, were approved unanimously. Telegrams to Mr. Clarke, Assistant Secretary of the Federal Reserve Bank of New York; Mr. McCreehy, Secretary of the Federal Reserve Bank of Philadelphia; Mr. McLarin, President of the Federal Reserve Bank of Atlanta; Mr. Dillard, Vice President of the Federal Reserve Bank of Chicago; Mr. Stewart, Secretary of the Federal Reserve Bank of St. Louis; and Mr. Volberg, Vice President of the Federal Reserve Bank of San Francisco, stating that the Board approves the establishment without change by the Federal Reserve Banks of St. Louis and San Francisco on March 19, and by the Federal Reserve Banks of New York, Philadelphia, Atlanta, and Chicago on March 20, 1947, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Memorandum dated March 14, 1947, from Mr. Thomas, Director of the Division of Research and Statistics, recommending that John

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H. Neill, Jr., an analyst in the Division of Bank Operations, be transferred to the Division of Research and Statistics as an Administrative Assistant with basic salary at the rate of \$4,525.80 per annum, effective March 23, 1947.

Approved unanimously.

Memorandum dated March 18, 1947, from Mr. Nelson, Director of the Division of Personnel Administration, recommending the transfer of Miss Sylvia I. Clements, a stenographer in the Office of the Secretary, to the Division of Personnel Administration as a clerk-stenographer, with no change in her present basic salary of \$2,544.48 per annum, effective March 23, 1947.

Approved unanimously.

Letter to Mr. Douglas, Vice President of the Federal Reserve Bank of New York, reading as follows:

"In accordance with the request contained in your letter of March 14, 1947, the Board of Governors approves the continuation of the temporary assignments of the following employees of the Buffalo Branch as indicated, for a further period of six months beginning March 16, 1947:

Kenneth P. Mead - Chief, Check Division
Robert R. Covert - Chief, Accounting Division
Milford A. Grote - Chief, Cash Division

"This approval is given with the understanding that the salary paid Mr. Mead while serving in the temporary assignment of Chief, Check Division, will not exceed the salary he would be eligible to receive in his regular position of Chief, Accounting Division."

Approved unanimously.

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Letter to Mr. Clark, First Vice President of the Federal Reserve Bank of Atlanta, reading as follows:

"In accordance with the request contained in your letter of March 13, 1947, the Board approves the appointment of Charles D. Owens as an assistant examiner for the Federal Reserve Bank of Atlanta. If the appointment is not made effective April 1, 1947 as planned please advise us."

Approved unanimously.

Letter to Mr. Marsh, Manager of the Accounting Department of the Federal Reserve Bank of New York, reading as follows:

"This refers to your letter of March 12 and the accompanying letters from The Bridgeport-City Trust Company, Bridgeport, Connecticut, regarding the penalties of \$582.90 and \$443.93 incurred by the member institution as a result of deficiencies in reserves for the periods ended February 15 and 28, 1947.

"It is noted that the member bank had not previously incurred a penalty for deficiencies in reserves since the period within which it became a member in 1944; that it has carried substantial excess reserves in most periods since membership; that the recent deficiencies resulted from a change in its method of bookkeeping, which resulted in an error in computing daily reserve balances; that it received daily statements of its reserves from which correct reserve balances could be computed; that it did not receive advice of the first deficiency until February 28, the last day of the second reserve computation period in which a penalty was incurred; and that, while a deficiency in the second period could have been avoided by its borrowing a large amount from your Bank on that day, the bank apparently felt that it would be undesirable to borrow on the last day of the month the large amount necessary to restore its average semi-monthly reserve balances to requirements.

"In the circumstances, the Board authorizes your Bank not to make the assessments."

Approved unanimously.

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Letter to Mr. Peterson, Vice President of the Federal Reserve Bank of St. Louis, reading as follows:

"This refers further to your letter of January 8, 1947, the Board's letter of January 27, 1947, and your telegram of March 14, 1947, regarding the continued exercise by the Mercantile-Commerce National Bank in St. Louis of the authority previously granted to that bank to accept drafts and bills of exchange up to 100 per cent of its capital and surplus.

"In accordance with the recommendation made in your letter of January 8, and in view of the fact that the member bank in question has not offered to submit any statement with respect to this matter, the Board has today rescinded the authority of the Mercantile-Commerce National Bank in St. Louis, St. Louis, Missouri, to accept drafts and bills of exchange up to 100 per cent of its capital and surplus, such rescission to become effective July 1, 1947.

"There is enclosed a letter addressed by the Board to the Mercantile-Commerce National Bank in St. Louis with respect to this matter; and it will be appreciated if you will promptly transmit it to that bank. For your records, there is also enclosed a copy of that letter."

Approved unanimously.

Letter prepared for Chairman Eccles' signature to the Presidents of all the Federal Reserve Banks reading as follows:

"As you know, the Board has recommended to the Banking and Currency Committees of Congress the enactment of a bill to repeal section 13b of the Federal Reserve Act and to amend section 13 of the Act so as to authorize the Reserve Banks without the use of Government appropriations to guarantee business loans on a more effective basis than is permissible under existing law. The bill recommended by the Board was introduced in the Senate on January 27, 1947, and is now pending in the Senate Banking and Currency Committee.

"While this bill (S. 403) has been endorsed informally by some members of Congress and others, it is meeting with some opposition particularly among

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"the larger banks. It has been more than a month since the bill was introduced and no action has been taken on it. Favorable action by the Committee and by Congress on the authority to guarantee loans will, of course, depend largely upon the extent to which widespread support develops, and we are informed that Congress has not as yet received evidence of active and effective support of this kind.

"It is important to bear in mind that the bill consists of two sections, the first section repealing the present authority of the Federal Reserve Banks to make industrial loans contained in section 13b and providing for the return of the funds received from the Treasury under this section, and the second section amending section 13 so as to confer upon the Reserve Banks a more effective authority to make guarantees of loans to business enterprises. Since the President's Budget Message for 1948 contained a recommendation for the return to the Treasury by the Federal Reserve Banks of funds received under section 13b, it seems a foregone conclusion that legislation to this end will be adopted. If the proposed amendment to section 13 providing authority for Federal Reserve Banks to make guarantees does not receive adequate support, the probabilities are that Congress will enact only the first section of the pending bill. In that event the Federal Reserve Banks would no longer have any authority to make or guarantee loans to business.

"There is enclosed a memorandum explaining the bill and the manner in which the authority would operate. It will be appreciated if you will discuss the matter with your directors at their next meeting in the light of this memorandum and will bring it also to the attention of the board of directors of each of your branches, if any. You may also wish to use the memorandum in discussing the subject with the local press if you deem it appropriate. It would be helpful to explain the proposal to business and financial leaders and others in your district in such manner as you may consider advisable, in order to acquaint them with the merits and objectives of the bill. It is important that they understand that, unless sufficient support develops for the authority to make guarantees, Congress may decide to pass the bill in a form which would leave the Reserve Banks without any authority in this field.

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"However, I am convinced that we can expect Congress to pass legislation in some form to aid in the financing of business enterprises, particularly small business, and that, if responsibility is not given to the Federal Reserve System to reinforce the lending activities of the established banking system, authority will be given to some agency of the Government which will involve the use of Government funds. As more fully pointed out in the enclosed memorandum, the Federal Reserve System is especially qualified to administer this function both by reason of its organization and experience and because its primary responsibility is in the field of credit.

"In my opinion, the situation with respect to the bill is such that affirmative action is required, and whatever is to be done must be done promptly."

Approved unanimously.

Telegram to Mr. Rouse, Vice President of the Federal Reserve

Bank of New York, reading as follows:

"Your telegram March 20. Board approves loan by your Bank to the Banco Central de Bolivia not to exceed \$2,500,000 outstanding at any one time, such loan to be secured by gold earmarked in your vaults. As indicated in your telegram it is understood that the loan is to be made on the following terms and conditions:

- (A) Such loan to be made up to 98 per cent of the value of the refined gold bars held in your vaults as collateral;
- (B) Such loan to run for 60 days;
- (C) Interest to be at the discount rate of your Bank (at present 1 per cent per annum) on the amount actually advanced;
- (D) The amount advanced at any time and the amount repaid at any time to be in round amounts of not less than \$100,000.

It is understood that the usual participation will be offered to the other Federal Reserve Banks."

Approved unanimously.

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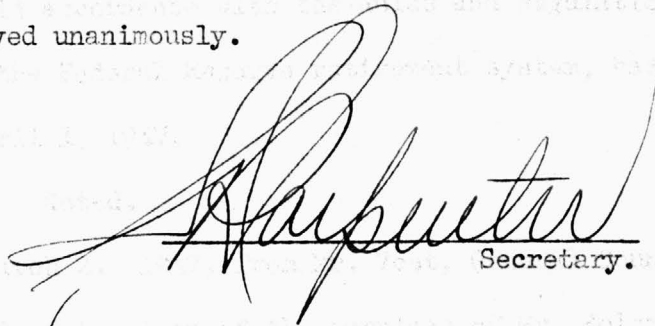
Telegram to Mr. Rouse, Vice President of the Federal Reserve Bank of New York, reading as follows:

"Your telegram March 20. Board approves three months extension to June 24 of loan by your Bank to Banque de Grece not to exceed \$10,800,000 outstanding at any one time, such loan to be secured by gold earmarked in your vaults. As indicated in your telegram it is understood that the loan is to be made on the same terms and conditions as applied to the loan when originally made on September 24, 1946, which were as follows:

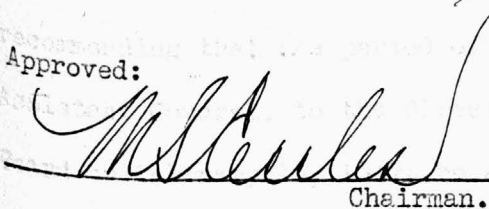
- (A) Such loan to be made up to 98% of the value of the refined gold bars held in your vaults as collateral;
- (B) Such loan to run for three months; and
- (C) Interest to be at one per cent per annum (discount rate of your Bank) on the amount actually advanced.

It is understood that the usual participation will be offered to the other Federal Reserve Banks."

Approved unanimously.


Secretary.

Approved:


Chairman.