

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, April 17, 1947.

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

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Morrill, Special Adviser
Mr. Thurston, Assistant to the Chairman

Minutes of actions taken by the Board of Governors of the Federal Reserve System on April 16, 1947, were approved unanimously.

Memorandum dated April 11, 1947, from Mr. Thomas, Director of the Division of Research and Statistics, recommending that increases in the basic annual salaries of the following employees in that Division be approved, effective April 20, 1947:

Name	Designation	Salary Increase	
		From	To
Caroline H. Cagle	Economist	\$4,400.40	\$4,902.00
Milton Moss	Economist	4,400.40	4,902.00

Approved unanimously.

Memorandum dated April 14, 1947, from Mr. Smead, Director of the Division of Bank Operations, recommending that Mrs. Jane Gray Dodge, a stenographer in the office of Mr. Draper, be transferred to the Division of Bank Operations as a clerk-stenographer, with an increase in her basic salary from \$2,619.72 to \$2,770.20 per annum, both effective April 20, 1947. The memorandum also said that Mr. Draper had agreed to the transfer.

Approved unanimously.

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Letter prepared for Chairman Eccles' signature to the Honorable Charles W. Tobey, Chairman, Banking and Currency Committee, United States Senate, reading as follows:

"This is in reply to the letter of Mr. Robert C. Hill, Clerk of the Senate Banking and Currency Committee, dated March 13, 1947, in which the request was made that the Board furnish your Committee with an opinion as to the merits of S. 829, 'A Bill to provide for control and regulation of bank holding companies, and for other purposes'.

"This bill, as you know, was introduced at the request of the Board, which strongly advocates its favorable consideration by your Committee and by the Congress. The Board believes that Congressional enactment of this measure is necessary to enable the Federal banking supervisory agencies, in particular the Board of Governors of the Federal Reserve System, to prevent undue concentrations of economic power in the banking field by means of the holding company device.

"The bank holding company problem is not a new one to the Congress. As a part of the Banking Act of 1933, Congress, for reasons fully developed in extensive hearings which preceded the passage of that Act, enacted certain provisions designed to bring bank holding companies under Federal regulation. In its Annual Report to Congress for 1943 the Board called attention to the fact that it felt that the provisions of the 1933 Act dealing with bank holding companies are inadequate to provide an effective system of supervision and control of such companies, and recommended that Congress reconsider the subject in the light of the Board's experience with the problem. The Board feels that it would be helpful to the members of the Committee if they would carefully read and study those recommendations. Accordingly, a number of copies of the Board's 1943 Report are being sent to Mr. Hill under separate cover.

"The Board hopes that your Committee will be able to hold hearings on S. 829 within the near future. At such time the Board will present in detail to the Committee the reasons which underly and support the various regulatory provisions which are contained in S. 829."

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Approved unanimously.

Letter prepared for Chairman Eccles' signature to the Honorable William Langer, United States Senate, reading as follows:

"This is in reply to your letter of April 7, with which you enclosed a copy of S. 548, a bill to insure bank deposits up to a maximum of \$15,000.00 for any one depositor, in place of the maximum of \$5,000.00, as presently provided by law. You advise that Senator Tobey of the Senate Committee on Banking and Currency has assured you of an early hearing on this bill and that you would like to know whether any representative of the Board of Governors would testify and whether the testimony would be favorable or unfavorable.

"It is the view of the Board that S. 548 would not be desirable banking legislation. The increase in the amount of deposit insurance from the present maximum of \$5,000.00 to a proposed maximum of \$15,000.00 would be predominantly beneficial to wealthier depositors and to business firms and corporations. As a class, these larger depositors are in a relatively favorable position to protect themselves in the event of any threatened weakness in the banking situation, as was borne out during the crisis ending in the banking holiday in March 1933.

"The additional protection that would be provided by S. 548 would require a re-appraisal of the adequacy of capital and surplus of the Federal Deposit Insurance Corporation. As you know, consideration is being given currently to repayment to the Treasury by the F. D. I. C. of the initial investment in its capital furnished by the Treasury (\$150 million) and by the Federal Reserve Banks (\$139 million). There would be a question whether, after the proposed repayment, the remaining surplus fund would be adequate in relation to the increased legal liability which would result if S. 548 were enacted. In the opinion of the Board, it would be preferable to make the proposed repayments of initial capital to the Treasury rather than to increase the legal liability of the Corporation for deposit insurance, as provided in S. 548.

"In view of the foregoing discussion, which has been approved by the Board, it is not believed necessary

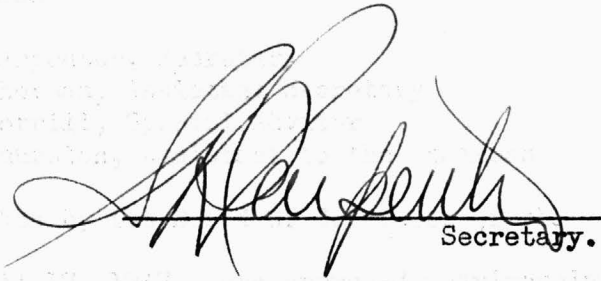
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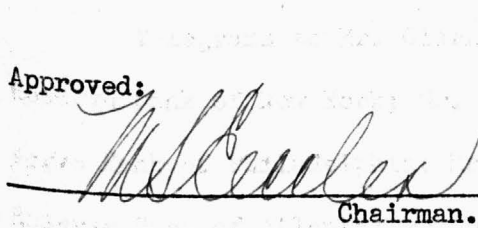
"that any member of the Board testify should hearings be held on the bill in question.

"With kind personal regards, I am,"

Approved unanimously.


Secretary.

Approved:


Chairman.

Chairman.

Approved unanimously.