

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, January 2, 1948.

PRESENT: Mr. Szymczak, Chairman pro tem
Mr. Draper
Mr. Evans
Mr. Clayton

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 December 31, 1947, were approved unanimously.

Telegrams to the Federal Reserve Banks of Boston, New York, Philadelphia, Atlanta, Chicago, St. Louis, Kansas City, and San Francisco stating that the Board approves the establishment without change by the Federal Reserve Banks of New York, Chicago, and San Francisco on December 30, by the Federal Reserve Banks of Atlanta and St. Louis on December 31, 1947, and by the Federal Reserve Banks of Boston, Philadelphia, and Kansas City today of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Mr. Sherman reported that the Comptroller of the Currency today issued a call on all national banks for reports of condition as of the close of business on December 31, 1947, and that, in accordance with the usual practice, a call was made today on behalf of the Board of Governors of the Federal Reserve System on all State member banks for reports of condition as of the same date.

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The call made on behalf of the Board was approved unanimously.

Memorandum dated December 26, 1947, from Mr. Vest, General Counsel, recommending increases in the basic annual salaries of the following employees in that Division, effective January 11, 1948:

<u>Name</u>	<u>Designation</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
Frederic Solomon	Assistant Counsel	\$8,778.00	\$9,376.50
John C. Bauman	Assistant Counsel	8,059.80	8,778.00
Howard H. Hackley	Assistant Counsel	8,059.80	8,478.75
Jerome W. Shay	Assistant Counsel	6,144.60	6,623.40

Approved unanimously.

Memorandum dated December 29, 1947, from Mr. Thomas, Director of the Division of Research and Statistics, recommending increases in the basic annual salaries of the following employees in that Division, effective January 11, 1948:

<u>Name</u>	<u>Designation</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
Susan S. Burr	Chief, Business Finance and Capital Markets Section	\$8,778.00	\$9,077.25
Kenneth B. Williams	Chief, National Income and Labor Section	8,778.00	9,077.25
C. R. Harley	Economist	5,152.80	5,403.60
Genevieve Gilardi Duarte	Clerk	2,394.00	2,469.24

Approved unanimously.

Memorandum dated December 29, 1947, from Mr. Thomas, Director of the Division of Research and Statistics, recommending the appointment of Mrs. Alice R. Williams as a clerk in that Division, on a temporary indefinite basis, with basic salary at the rate of \$2,168.28 per annum,

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effective as of the date upon which she enters upon the performance of her duties after having passed the usual physical examination. The memorandum also stated that it was contemplated that Mrs. Williams would become a member of the Federal Reserve retirement system.

Approved unanimously.

Memorandum dated December 30, 1947, from Mr. Thomas, Director of the Division of Research and Statistics, recommending that the resignation of Mrs. Lillian Schiller Gritz, a clerk-stenographer in that Division, be accepted to be effective, in accordance with her request, at the close of business January 14, 1948, with the understanding that a lump sum payment would be made for annual leave remaining to her credit as of that date.

Approved unanimously.

Memorandum dated December 31, 1947, from Mr. Bethea, Director of the Division of Administrative Services, recommending that the resignation of Alvin Bissett, a cook in the cafeteria of that Division, be accepted to be effective, in accordance with his request, at the close of business January 9, 1948, with the understanding that a lump sum payment would be made for annual leave remaining to his credit as of that date.

Approved unanimously.

Telegram to Mr. Volberg, Vice President of the Federal Reserve Bank of San Francisco, reading as follows:

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"Relet December 22, 1947. In view your recommendation Board approves establishment and operation of branch in Campbell, California, by American Trust Company, San Francisco, California, provided such branch is established within six months from December 9, 1947, as required by State authorities, and with understanding that Counsel for Reserve Bank will review and satisfy himself as to the legality of all steps taken to establish branch."

Approved unanimously.

Letter to Mr. Joseph L. Smith, 7533 Hamilton Avenue, Pittsburgh 8, Pennsylvania, reading as follows:

"This refers to your recent thoughtful letter to Chairman Eccles regarding the Board's security loan regulations. It is a pleasure to hear from someone who is aware of the serious threat of inflation to our economy and who understands that we are sincere in our efforts to do something about it.

"It is quite possible, as you point out, that some of the inflationary speculative activity that has broken out in the commodity markets in the last year or two would have appeared in the stock markets if security margin requirements had been smaller than they were. We doubt, however, whether many speculators transfer their activities between the commodity and stock markets. Some of them probably do, but in general a trader is apt to concentrate his speculative interest in one kind of market. For this reason, it seems to us that lower margin requirements would tend to increase inflationary speculation in the stock market more than they would reduce it in the commodity markets.

"We agree with you that developments in other markets are most disturbing, but we do not believe it would be in the public interest for the Board to take an action that would stimulate similar developments in the stock market. If, in addition to all of the present difficulties, there were serious inflation in the stock market, the readjustment when it came would be all the more severe.

"With regard to the rule against substitutions in undermargined accounts, it is true of course that the sale of one security and the purchase of another with the proceeds do not increase the amount of the customer's debit balance -- the amount of credit in use -- but they do affect the amount of use made of outstanding credit. If this rule were not in effect, speculators could and would purchase and sell

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"securities over and over again using the same borrowed money, and higher margin requirements would be needed to obtain the same degree of restraint. Also, the rule assures that holders of old margin accounts do not have an undue advantage over customers just entering the market, who must put up a 75 per cent margin on their commitments.

"The Board believes that the present provisions of the regulation are proper at this time and carry out the intent of Congress under the Securities Exchange Act of 1934. Greater use of credit in the securities markets under present conditions would add to the already excessive supply of money which is being used to bid for scarce materials and labor. Easing of the regulations now, therefore, would increase the serious dangers of inflation that we now face in this country."

Approved unanimously.

Telegram to the Presidents of all Federal Reserve Banks reading as follows:

"The Board of Governors of the Federal Reserve System under authority of the fourth paragraph of Section 16 of the Federal Reserve Act hereby establishes for the three months' period ending December 31, 1947, the rate of (1) per cent interest per annum on that amount of the Federal Reserve notes of your Bank which equals the average daily amount of its outstanding Federal Reserve notes during such period less the average daily amount of gold certificates held during such period by the Federal Reserve Agent as collateral security for such notes. Using \$ (2) as average daily amount of outstanding notes of your Bank during fourth quarter not covered by gold certificates with Agent, payment to Treasury for last quarter of 1947 will be \$ (3). Payment should be credited to the Treasurer's General Account as Miscellaneous Receipts, Symbol 1841-Interest Collected, Section 16 Federal Reserve Act as amended. No statement being given to press with respect to this action.

	(1)	(2)	(3)
Boston	.7093	\$1,064,424,717	\$1,903,004.76
New York	1.2950	2,307,461,475	7,531,807.13
Philadelphia	.6532	1,186,090,385	1,952,805.21
Cleveland	.6131	1,481,850,844	2,289,975.16
Richmond	.5870	1,142,588,078	1,690,529.50
Atlanta	.7195	743,249,316	1,347,908.09
Chicago	.7990	1,724,131,895	3,472,259.93

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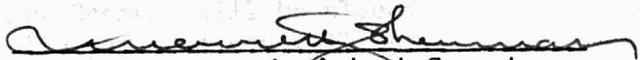
	(1)	(2)	(3)
St. Louis	.6439	\$ 858,070,143	\$1,392,631.39
Minneapolis	.6492	444,275,520	726,985.68
Kansas City	.8029	685,769,954	1,387,825.54
Dallas	.9756	485,504,712	1,193,878.70
San Francisco	1.5389	683,855,020	2,652,585.56"

Approved unanimously.

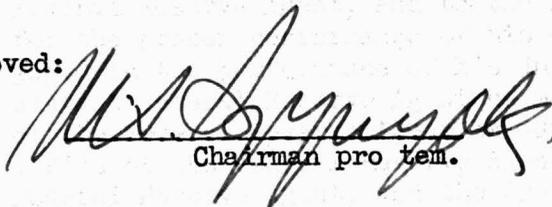
Telegram to Mr. Knoke, Vice President of the Federal Reserve Bank of New York, reading as follows:

"Your wire December 30. Board approves increasing amount of loan or loans authorized by your Bank to Banque Centrale de la Republique de Turquie from \$20,000,000 to \$30,000,000 on the same terms and conditions set forth in your wire to us of September 23 and Board's approval of September 24. It is understood that the usual participation will be offered to the other Federal Reserve Banks."

Approved unanimously.


Assistant Secretary.

Approved:


Chairman pro tem.