

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

PRESENT: Mr. Szymczak, Chairman pro tem.
 Mr. Eccles
 Mr. Draper
 Mr. Vardaman
 Mr. Clayton

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

Minutes of actions taken by the Board of Governors of the Federal Reserve System on January 30, 1948, were approved unanimously.

Letter to Mr. Earhart, President of the Federal Reserve Bank of San Francisco, reading as follows:

"Reference is made to your letter of January 16, 1948, with regard to an employee at one of the branches who is to retire for disability and requesting the Board's confirmation that dismissal payments are authorized in such cases.

"Because there is no reduction for age in the computation of a disability retirement pension, the provisions of S-905 do not include cases of involuntary separation for disability.

"You are aware, of course, that supplemental benefits may be granted under S-849 dated May 7, 1945 in cases of involuntary separation for disability and that any exceptional case which in the opinion of the Board of Directors merits a supplemental payment may be presented to the Board of Governors for consideration."

Approved unanimously.

Letter to Mr. Woolley, Vice President of the Federal Reserve Bank of Kansas City, reading as follows:

"Reference is made to your letter of January 24, 1948, submitting certified copies of resolutions adopted by the Board of Directors of The Kinsley Bank, Kinsley, Kansas,

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"signifying its intention to withdraw from membership in the Federal Reserve System and requesting waiver of the six months' notice usually required.

"In view of the Reserve Bank's favorable recommendation, the Board of Governors waives the usual requirement of six months' notice, as requested. Accordingly, upon surrender of the Federal Reserve Bank stock issued to The Kinsley Bank, Kinsley, Kansas, the Federal Reserve Bank is authorized to cancel such stock and make appropriate refund thereon. It is assumed that the bank wishes the termination of its membership to coincide with the acceptance for continuance of insurance by the F.D.I.C. If formal application for continuance of insurance is made, the bank will have four months from the date of this letter to accomplish termination of its membership (F.R.L.S. #3548).

"Please advise the Board of Governors when cancellation is effective and refund is made. The Certificate of Membership issued to the bank should also be obtained, if possible, and forwarded to the Board. The State banking authorities should be advised promptly when the bank's withdrawal from membership has been effected and given reasons therefor, if desired."

Approved unanimously.

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

"This refers to your letter of January 27, 1948 stating that due to a severe heart attack Mr. Bernon S. Prentice will not be permitted to attend to business matters for at least two weeks and asking that the Board postpone further consideration of Mr. Prentice's section 32 status until he recovers sufficiently to be able to discuss the matter.

"The Board of course will be glad to accede to such request. It will be appreciated, however, if you will inquire as to the situation in two or three weeks and advise the Board regarding the matter."

Approved unanimously.

Letter to Mr. Herbert V. Prochnow, Acting Secretary, Federal Advisory Council, First National Bank of Chicago, Chicago 90, Illinois, reading as follows:

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"This letter is in response to yours of January 17, 1948, requesting a list of the items which the Board of Governors may wish to have placed on the agenda for discussion at the meeting of the Federal Advisory Council to be held in Washington on February 15-17, 1948. The Board would like to have the Council's views on the following questions:

"1. It is estimated that after the first quarter of this calendar year, the Treasury will pay into the market for current expenditures and debt redemption more than it will receive from taxes and sales of securities. This excess of payments, which may amount to as much as \$2 billion in the second quarter, together with a continued gold inflow, which may equal half a billion dollars a quarter, and purchases by the Federal Reserve Banks of additional securities from nonbank investors and from banks needing reserves, will add considerably to bank reserves.

"In the opinion of the Council, what measures should be adopted to restrict the use of these additional reserves for further expansion of bank credit:

- "a. Should Congress grant authority to raise existing reserve requirements (as distinguished from the special reserve plan) of member banks and to impose correspondingly higher reserve requirements on non-member banks, with the understanding that the additional reserves required of non-member banks will be held with the Federal Reserve Banks? The Federal Advisory Council joined in a similar recommendation on December 31, 1940.
- "b. Should the present policy with respect to support of the Government securities market be maintained regardless of further inflationary developments?
- "c. Or, should the Federal Open Market Committee sell securities in the market in an amount sufficient to absorb additional reserves which will come into the market after the first quarter and permit Government bonds to decline to whatever extent may be necessary?

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"2. Should discount rates be increased further? If so, how much? What should be the timing of such action?

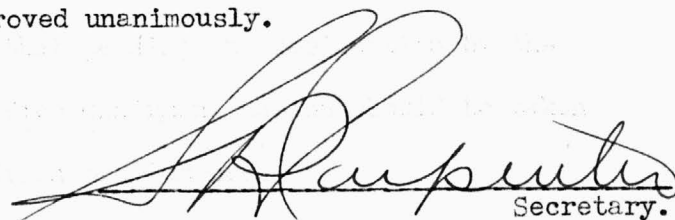
"3. What measures are being taken by banks to restrict credit under the A.B.A. voluntary program and what results are being obtained?

"4. Are there any areas in which loans being made by banks involve greater credit risks than have been the case in the period since the war?

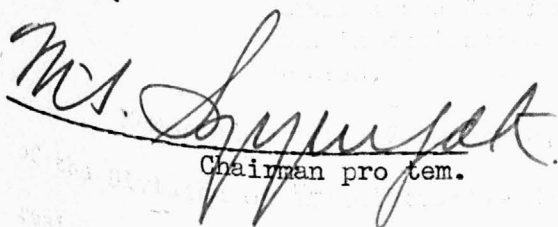
"The Board Room will be available for any meetings the Council may wish to have on Monday and Tuesday, February 16 and 17, including the joint meeting of the Council and the Board on the 17th. The Blue Room will be set up for 15 places for luncheon on Tuesday, February 17, and the material requested in the fourth paragraph of your letter will be at the Mayflower when you arrive on February 14.

"If there is anything else we can do to assist in the arrangements for your meeting, please let me know."

Approved unanimously.


Secretary.

Approved:


Chairman pro tem.