

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, March 16, 1948.

PRESENT: Mr. Szymczak, Chairman pro tem.
Mr. Draper
Mr. Evans
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 March 15, 1948, were approved unanimously.

Memorandum dated March 12, 1948, from Mr. Thomas, Director of the Division of Research and Statistics, recommending the appointment of Miss Mary Madeline Ryan as a clerk in that Division, on a temporary indefinite basis, with basic salary at the rate of \$2,168.28 per annum, 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 Miss Ryan would become a member of the Federal Reserve retirement system.

Approved unanimously.

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

"Reurlet March 10, 1948. Board approves appointment of F. Lee Major, Jr., as assistant examiner for Federal Reserve Bank of Kansas City. Please advise effective date and salary rate."

Approved unanimously.

3/16/48

-2-

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

"Reference is made to your letter of March 11, 1948, submitting the application of the State Bank of Albany, Albany, New York, for approval of the establishment of a branch in Watervliet, New York, and the approval of an additional investment of approximately \$106,500 in bank premises, both of these actions being in connection with the proposed absorption of The National Bank of Watervliet.

"The Board of Governors concurs in your opinion that the proposed absorption will not result in a change in the character of the assets of the State Bank of Albany or in the scope of the corporate powers exercised by it within the meaning of condition of membership numbered 1 to which it is subject.

"In view of your recommendation, the Board approves the establishment and operation of a branch in Watervliet, New York, by the State Bank of Albany, Albany, New York, provided the absorption of The National Bank of Watervliet, Watervliet, New York, is effected substantially in accordance with the proposed plan as submitted and provided the prior approval of the appropriate State authorities is obtained, and with the understanding that Counsel for the Reserve Bank will review and satisfy himself as to the legality of all steps taken to effect the absorption and establish the branch.

"The Board also approves the additional investment of approximately \$106,500 in bank premises by the State Bank of Albany."

Approved unanimously.

Letter to Mr. Harry W. Besse, President, Boston Stock Exchange, 53 State Street, Boston, Massachusetts, reading as follows:

"This will acknowledge your letter of March 4, 1948, which states the opinion of the Board of Governors of the Boston Stock Exchange to the effect that the margin requirements of Regulation T should be substantially reduced because of their 'detrimental influence on the

3/16/48

-3-

"securities markets and financing through equity capital ..."

"As you suggest, there are many factors which contribute to the state of the market, at any given time, for equity securities. At a time like the present, however, when the total money supply of the country has been so greatly expanded as to be altogether redundant, it would seem most unlikely that a shortage of money or credit is a factor of much importance in restraining equity financing. In further support of this view it should be noted that in the spring of 1946, when margin requirements were 100 per cent, the stock market was at a considerably higher level, more active, and more receptive to new issues, than it is at present when margin requirements are 75 per cent in general and 50 per cent for purchases under subscription rights.

"At the present time, the freedom of the securities markets from excessive credit inflation is a gratifying element of strength in a general economic situation that is threatened by serious inflation dangers. The use of more credit in the securities markets would not lead to increased production under present conditions -- when key materials such as steel are in short supply and the labor force is practically fully-employed. What it would do, in the Board's opinion, would be to add to the already excessive supply of money which is being used to bid for scarce materials and labor, making a bad situation worse.

"When the standard margin requirements were reduced to their present level, the Chairman of the Board in a statement to the press indicated that further changes would depend on the course of economic events. That is one way of saying that the crucial considerations, as we have illustrated above, may at times relate to matters mainly outside the stock market itself."

Approved unanimously.

Letter to Mr. Merriam B. Barthold, Secretary, Philadelphia Stock Exchange, Philadelphia 2, Pennsylvania, reading as follows:

"This refers to your letter of February 27, 1948, to Mr. Bonnar Brown, regarding your accumulating file of reports of margin requirements which have been met by liquidation.

3/16/48

-4-

"For our purposes, it will not be necessary for you to keep these reports on file for more than a two-year period."

Approved unanimously.

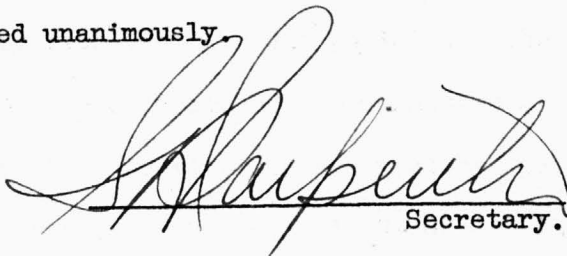
Letter to Mr. J. Nap Covey, Vice President, Polk County Bank, Bolivar, Missouri, reading as follows:

"This refers to your letter of February 25, 1948, stating that your St. Louis business has been solicited by some banks who, among other things, have offered to ship currency and coin with postage and express charges prepaid.

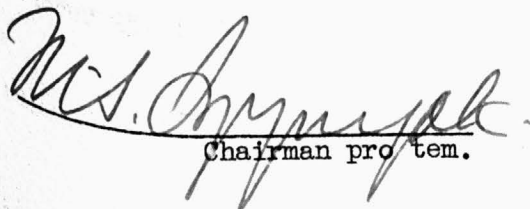
"While we are aware that there are some banks that make shipments of currency to their correspondent banks and absorb the shipping charges, the Board has not issued any ruling as to whether this practice is affected by the provision of law forbidding the payment of interest on demand deposits. It is the Board's policy in general not to attempt to pass upon questions as to what constitutes a payment of interest except upon a consideration of all the facts and circumstances of the particular case as developed in the course of examination of the bank involved, and the Board has not taken any action respecting any member bank on the ground that the practice which you describe constitutes a payment of interest.

"If you should have any further inquiry regarding this or any similar matter it is suggested that you get in touch with the Federal Reserve Bank of St. Louis which will be glad to be of any service."

Approved unanimously


Secretary.

Approved:


Chairman pro tem.