

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, May 25, 1948. The Board met in the Board Room at 10:30 a.m.

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

Mr. Carpenter, Secretary  
 Mr. Sherman, Assistant Secretary  
 Mr. Morrill, Special Adviser  
 Mr. Thurston, Assistant to the Board  
 Mr. Riefler, Assistant to the Chairman  
 Mr. Smead, Director of the Division of Bank Operations  
 Mr. Bethea, Director of the Division of Administrative Services  
 Mr. Thomas, Director of the Division of Research and Statistics  
 Mr. Vest, General Counsel  
 Mr. Nelson, Director of the Division of Personnel Administration  
 Mr. Townsend, Associate General Counsel  
 Mr. Millard, Assistant Director of the Division of Examinations

In accordance with the decision reached at the meeting of the Board on May 14, 1948, there was a further discussion at this meeting of action by the Board to increase by 2 percentage points the reserve requirements of member banks in the central reserve cities of New York and Chicago. The discussion was in the light of the existing reserve situation of banks in these cities and whether action should be taken now in anticipation of renewed inflationary tendencies,

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including increased lending by member banks, or whether action should be deferred until there was a more definite upward trend in the growth of credit when action might be more effective in retarding or reversing the movement.

After a comment by Mr. Thomas that the reserve position of central reserve city banks had not changed greatly since the matter was discussed by the Board on May 14, he stated that, if the Board planned to give 30 days notice of an increase in requirements, the change should not be made effective until after the first of July for the reason that the market would be under pressure during the latter part of June. He also said that in July the Treasury could facilitate adjustment to the increase by reducing its calls on war loan accounts during the period of adjustment. He added that the Treasury refunding operations should be taken into account in timing the Board's action.

Mr. Szymczak inquired whether four weeks public notice of a change in reserve requirements was necessary and suggested that the action might be more effective if only short notice were given.

Mr. McCabe stated that when he and Mr. Sproul were at the Treasury on May 12 for their discussion with representatives of the Treasury with respect to an increase in the short-term rate, he informed the Treasury that the Board felt strongly that there should be a further increase in reserve requirements and that action on

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the matter might be taken shortly after the Treasury announcement with respect to the June refunding was made.

In response to a request for his comment, Mr. Riefler suggested that the time to take the action was when the money market appeared to be getting out of hand, at which time action would be much more effective than if taken earlier. He questioned the need for giving much notice before the effective date of the action for the reason that the increase would affect only the banks in central reserve cities which would not need a great deal of time in which to adjust their positions to the higher requirements.

With further reference to the timing of the action there was a discussion of the possible effect of action in June on the July refunding and as to whether it would be preferable to make the effective date of the action some time in the latter part of July or early August. It was suggested in this connection that, while action in June would result in increased purchases of certificates by the Federal Reserve Banks, this effect on the securities market would result from the action regardless of when it was taken.

The discussion indicated that a majority of the Board would favor taking the action immediately. Mr. Eccles suggested that the effective date of the action should be in the early part of June for the reasons that the reserve position of banks would be easy at that time, there was increasing evidence that an inflationary psychology was again taking hold in the country and action would

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be an indication that the Board of Governors was using such powers as it had to meet the situation, and if it were made effective at a later date in June it might interfere with the July financing. If the action were not made effective during the early part of June, he said, the effective date would have to be deferred until the latter part of July or the early part of August. He felt that the same reasons that justified a recommendation that the short-term rate be increased applied to an increase in reserve requirements and he stated that he would favor such action.

Mr. Szymczak stated that there was no increase in lending in New York and Chicago by member banks at this time, but on the contrary, a decrease, that if action were made effective before July 1 it might be interpreted as an effort in the direction of trying to force an increase in the short-term rate and that, since it would not be possible to get legislation at this session of the Congress giving the Board additional credit powers, he felt it would be desirable for the Board to use its existing powers at a time when its action would have the greatest possible effect later in the year when there was an indication that member bank lending was increasing. Pending action at that time, he said, he would continue negotiations with the Treasury for an increase in the short-term rate, having in mind the possibility of increasing the rate by operations in the open market before the next refunding operation is undertaken.

Reference was also made to the fact that those who were opposed to additional credit powers for the System had stated repeatedly

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that there was no need for such powers because the Board had not used its existing powers.

After a further discussion of the possible effects of the action, Mr. Eccles moved that action be taken by the Board to increase reserve requirements of central reserve city banks by 2 percentage points with the understanding that the action would be announced immediately to become effective on Friday, June 11, 1948.

Chairman McCabe stated that before action was taken he would like to have the latest information as to the reserve position of member banks in New York and Chicago and how the increase would affect those banks.

After some further discussion, Mr. Eccles withdrew his motion with the understanding that there would be a further discussion of the matter as the first item for consideration at a meeting of the Board to be held tomorrow morning at 10:00 a.m.

There was then presented a memorandum from the Personnel Committee reading as follows:

"The Personnel Committee recommends that Section 4 of the Board's travel regulations as amended November 7, 1947, be amended to provide an increase in the allowance for official travel in a person's own automobile from 5¢ to 6 1/2¢ per mile and the elimination of the provision which now restricts this allowance in the case of employees not to exceed the cost of transportation by common carrier over the shortest usually traveled route between the points of travel. The regulation in this respect would then read: 'When using his own automobile in official travel, the traveler may be allowed mileage at a rate not to exceed 6 1/2¢ per mile in lieu of actual operating expenses except that reimbursement for automobile travel in accordance with the provisions of this paragraph by others than those excepted from the provisions of paragraph 8 of these regulations shall be subject to the approval of the Personnel Committee.'

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"Comments

"The Government travel regulations allow 5¢ per mile for official travel and the Board's regulation has conformed in this respect except for a short period from September, 1946, to March 21, 1947, when the allowance was 6 1/4¢ per mile.

"A survey of the Federal Reserve Banks sometime ago revealed the following allowance for official travel in a person's own car:

7 Banks	7¢ per mile
3 Banks	6¢ per mile
1 Bank	5¢ per mile
1 Bank	6¢ - 7¢ - 8¢ per mile
(Atlanta)	(depending on cost of car)

"A recent report published by the American Automobile Association shows that for a small post-war car driven 10,000 miles the allowance for operating cost should be 3 1/2¢ per mile plus \$1.30 per day and that when insurance, depreciation, and license fee are included, the allowance should be 8 1/4¢ per mile. A similar computation for a pre-war car gives a mileage cost of just over 7¢ per mile.

"Colonel Press in the office of the Washington Board of Trade says that the present allowance for the use of a person's own car by local firms is 7¢ to 8¢ per mile."

Upon motion by Mr. Eccles, the recommendation of the Personnel Committee was approved unanimously.

Copies of the agenda for the forthcoming Conference of Chairmen of the Federal Reserve Banks at White Sulphur Springs, West Virginia, on May 29-31, 1948, were distributed. Mr. Evans stated that the agenda had been prepared in accordance with the wishes of the executive committee of the Conference and that it was his recommendation that the Board authorize the payment of the expenses of the Conference which would not be covered by the travel and subsistence expenses of the individuals attending the Conference.

Mr. Evans' recommendation was approved unanimously.

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Reference was made to the discussion at the joint meeting of the Board of Governors and the Presidents of the Federal Reserve Banks on May 21 of the desirability of a reduction in the portion of the net earnings of the Federal Reserve Banks being paid to the Treasury as an interest charge on outstanding Federal Reserve notes and to the further action to be taken by the Board in connection with the matter.

It was unanimously agreed that the staff should prepare, and send to each member of the Board for his comment, a draft of a memorandum setting forth the reasons for and against such a reduction, it being understood that after the members of the Board had had an opportunity to comment on the memorandum it would be revised and placed on the docket for consideration at a meeting.

Mr. Clayton stated that Mr. Townsend had completed his investigation and was ready to report to the Board with respect to the question whether a proceeding should be instituted by the Board under the provisions of the Clayton Act against Transamerica Corporation and that he (Mr. Clayton) would suggest that the Board hear Mr. Townsend's statement at the meeting of the Board tomorrow following the consideration of an increase in reserve requirements of member banks in central reserve cities.

Following a discussion of the nature of the proceeding and the procedure that might be followed in connection therewith, Mr. Clayton's suggestion was approved unanimously.

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At this point all of the members of the staff withdrew from the meeting except Mr. Carpenter.

Consideration was then given to the salaries submitted by the Federal Reserve Banks of Atlanta, Minneapolis, and Dallas for officers of the respective Banks for the year beginning June 1, 1948, and upon motion by Mr. Draper the following actions were taken by unanimous vote:

1. A letter to Mr. Peyton, President of the Federal Reserve Bank of Minneapolis, was approved unanimously as follows:

"The Board of Governors approves the payment of salaries to the following officers of the Federal Reserve Bank of Minneapolis and its Branch for the period June 1, 1948 through May 31, 1949, at the rates indicated, which are the rates fixed by the Board of Directors as reported in your letter of April 22, 1948:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
J. N. Peyton	President	\$25,000
O. S. Powell	First Vice President	18,000
Sigurd Ueland	Vice President and Counsel	13,000
O. R. Preston	Vice President	12,000
H. G. McConnell	Vice President	11,000
A. W. Mills	Vice President and Cashier	11,000
H. I. Ziemer	Vice President and Secretary	9,750
H. C. Core	Personnel Officer	10,000
E. B. Larson	Assistant Vice President	9,000
A. R. Larson	Assistant Cashier	8,000
W. E. Peterson	Assistant Cashier	7,000
W. H. Turner	Assistant Cashier	5,750
M. E. Lysen	Operating Research Officer	7,000
O. W. Ohnstad	Auditor	7,500
P. W. McCracken	Director of Research	8,000
M. H. Strothman, Jr.	Assistant Counsel	7,000
<u>HELENA BRANCH</u>		
R. E. Towle	Vice President	10,000
C. J. Larson	Assistant Cashier	6,500"



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2. After a discussion of questions raised by Mr. Vardaman with regard to the quality of the work being done by Messrs. McLarin and Clark as President and First Vice President, respectively, of the Federal Reserve Bank of Atlanta (during which Messrs. Smead, Nelson, and Millard were called back into the meeting), it was agreed that on the basis of the information available to the Board it should not approve the increase of \$1,000 proposed by the Directors of the Atlanta Bank for First Vice President Clark.

3. The following letter to Mr. McLarin, President of the Federal Reserve Bank of Atlanta, was approved:

"The Board of Governors approves the payment of salaries to the following officers of the Federal Reserve Bank of Atlanta for the period June 1, 1948, through May 31, 1949, at the rates indicated, which are the rates fixed by the Board of Directors as reported in your letter of May 14, 1948:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
W. S. McLarin, Jr.	President	\$25,000
V. K. Bowman	Vice President	11,000
S. P. Schuessler	Vice President	9,000
J. E. Denmark	Vice President	9,000
James H. Bowden	Assistant Vice President	7,500
C. R. Camp	Assistant Vice President	7,500
F. H. Martin	Assistant Vice President	6,000
I. H. Martin	Assistant Vice President	5,500
J. R. McCravey, Jr.	Assistant Vice President	7,500
Edward Carr Rainey	Assistant Vice President	6,000
Earle L. Rauber	Director of Research	9,000
Winslow E. Pike	General Auditor	8,000
Harold T. Patterson	General Counsel	9,000
<u>Birmingham Branch</u>		
P. L. T. Beavers	Vice President and Manager	9,500
H. C. Frazer	Assistant Manager	7,000
H. J. Urquhart	Cashier	6,500
Leo W. Starr	Assistant Cashier	5,500

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<u>"Name</u>	<u>Title</u>	<u>Annual Salary</u>
<u>Jacksonville Branch</u>		
T. A. Lanford	Vice President and Manager	\$10,000
Crawford Clark	Cashier	7,000
Mason C. Ford	Assistant Cashier	5,000
J. Wyly Snyder	Assistant Cashier	6,000
<u>Nashville Branch</u>		
Joel B. Fort, Jr.	Vice President and Manager	8,500
E. R. Harrison	Cashier	6,500
Robert E. Moody, Jr.	Assistant Cashier	6,000
<u>New Orleans Branch</u>		
E. P. Paris	Vice President and Manager	13,500
Morgan L. Shaw	Assistant Manager	8,000
W. H. Sewell	Cashier	6,600
Lawrence T. Chapman	Assistant Cashier	5,400
F. C. Vasterling	Assistant Cashier	5,100

"The Board also approves the payment of salary to Mr. Roy E. Milling for the period June 1, 1948, through May 31, 1949, at the rate of \$5,500 per annum as an officer of the Bank with the title of Assistant Vice President.

"The Board has given careful consideration to the increase in salary recommended for Mr. L. M. Clark as First Vice President and has come to the conclusion that the increase should not be approved at this time. However, the Board of Governors approves the payment of salary to Mr. Clark at his present rate of \$16,000 per annum, if fixed by the Board of Directors at this rate, for the period June 1, 1948 through May 31, 1949."

4. Chairman McCabe was requested at a convenient time to talk with Mr. Neely, Chairman of the Federal Reserve Bank of Atlanta, about the question whether Messrs. McLarin and Clark should be reappointed as President and First Vice President, respectively, at the end of their present terms.

5. After a discussion of questions raised by Mr. Vardaman with respect to the quality of the work being performed by Messrs. Gentry and Novey, First Vice President and Auditor, respectively, of the Federal Reserve Bank of Dallas, the following letter to Mr. Gilbert, President of the Federal Reserve Bank of

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Dallas, was approved with the understanding that at his convenience Chairman McCabe would talk with Mr. Parten about the quality of the services of Mr. Novey as Auditor:

"The Board of Governors approves the payment of salaries to the following officers of the Federal Reserve Bank of Dallas and its Branches for the period June 1, 1948 through May 31, 1949, at the rates indicated, which are the rates fixed by the Board of Directors as reported in your letter of May 14, 1948:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
R. R. Gilbert	President	\$25,000
W. D. Gentry	First Vice President	17,000
R. B. Coleman	Vice President	14,000
E. B. Austin	Vice President	11,000
L. G. Pondrom	Vice President and Cashier	11,000
H. E. DeMoss	Vice President	11,000
W. H. Irons	Vice President	11,000
Mac C. Smyth	Vice President	8,400
Morgan H. Rice	Assistant Vice President and Secretary of the Board	9,000
R. O. Webb	Assistant Cashier	7,200
J. L. Cook	Assistant Cashier	7,500
Howard Carrithers	Assistant Cashier	7,000
A. C. Michaelis	Assistant Cashier	6,800
W. D. Waller	Assistant Cashier	6,800
F. T. Novey	General Auditor	8,000
<u>Houston Branch</u>		
W. H. Holloway	Vice President	10,000
H. K. Davis	Cashier	6,300
B. J. Troy	Assistant Cashier	5,500
<u>San Antonio Branch</u>		
W. E. Eagle	Vice President	9,000
Alfred E. Mundt	Cashier	5,400
F. C. Magee	Assistant Cashier	5,000
<u>El Paso Branch</u>		
C. M. Rowland	Vice President	7,800
E. H. Berg	Cashier	5,500
T. C. Arnold	Assistant Cashier	4,800"

Mr. Vardaman presented a letter dated April 27, 1948, from Mr. McLarin, President of the Federal Reserve Bank of Atlanta, in

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response to the Board's letter of April 12, 1948, with respect to the plans for the Jacksonville Branch Building. All of the members of the Board indicated that they would prefer to adhere to the position taken in the Board's letter and it was understood that Mr. Smead would prepare a draft of reply to Mr. McLarin's letter for consideration by the Board.

The action stated with respect to each of the matters hereinafter referred to was taken by the Board:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on May 24, 1948, were approved unanimously.

Memorandum dated May 12, 1948, from Mr. Evans stating that Mr. Thurston and Mr. Thomas had selected Mr. Riefler as the third member of the Staff Editorial Committee to succeed Mr. Parry, who retired on April 1, 1948, and recommending that the selection be approved by the Board.

Approved unanimously.

Letter to Mr. Brainard, Federal Reserve Agent of the Federal Reserve Bank of Cleveland, reading as follows:

"In accordance with the request contained in your letter of May 20, 1948, the Board of Governors approves, effective June 1, 1948, the payment of salaries to the following members of the Federal Reserve Agent's staff at the rates indicated:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
Wm. J. Cosgrove	Federal Reserve Agent's Representative, Pittsburgh Branch	\$3,480
Gordon M. Trowbridge	Federal Reserve Agent's Representative, Pittsburgh Branch	3,660"

Approved unanimously.

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

"Reference is made to your letter of May 18, 1948, submitting the request of the Manufacturers and Traders Trust Company, Buffalo, New York, for approval of the establishment of a branch in Ebenezer, New York, in connection with the proposed absorption of The Ebenezer State Bank.

"In view of your recommendation, the Board of Governors approves the establishment and operation of a branch in Ebenezer, New York, by the Manufacturers and Traders Trust Company, Buffalo, New York, provided the absorption of The Ebenezer State Bank is effected substantially in accordance with the plan submitted; 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 proposed absorption and establishment of the branch."

Approved unanimously.

Letter to Mr. Vance L. Sailor, Chief, Division of Examination, Federal Deposit Insurance Corporation, reading as follows:

"In compliance with the recent oral request of Mr. Lynch of your Division, we are sending herewith, for your confidential information and use, photostatic copies of the following financial statements of the St. Joe Paper Company, Jacksonville, Florida: balance sheet as of December 31, 1942; statement of profit and loss for the year 1942; and schedules numbered 1, 2, and 3, supporting the balance sheet."

Approved unanimously.

Letter to the Federal Deposit Insurance Corporation reading as follows:

"Pursuant to the provisions of section 12B of the Federal Reserve Act, as amended, the Board of Governors of the Federal Reserve System hereby certifies that the

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"American State Bank, Lubbock, Texas, became a member of the Federal Reserve System on May 20, 1948, and is now a member of the System. The Board of Governors of the Federal Reserve System further hereby certifies that, in connection with the admission of such bank to membership in the Federal Reserve System, consideration was given to the following factors enumerated in subsection (g) of section 12B of the Federal Reserve Act:

1. The financial history and condition of the bank.
2. The adequacy of its capital structure.
3. Its future earnings prospects.
4. The general character of its management.
5. The convenience and needs of the community to be served by the bank, and
6. Whether or not its corporate powers are consistent with the purposes of section 12B of the Federal Reserve Act."

Approved unanimously.

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

"Thank you for your letter of May 5, 1948, in reply to our letter of April 30 with reference to the buying rate for bankers' acceptances with resale agreement. In view of the explanation in the second paragraph of your letter, the Board's telegram of January 14, 1948, approving a minimum buying rate for bankers' acceptances will be regarded as having included approval of a rate of 1-1/4 per cent for bankers' acceptances with resale agreement.

"It is noted that the special commitment rate on Section 13b loans guaranteed under Regulation V will be discontinued at the next meeting of your Board of Directors."

Approved unanimously.

Memorandum dated May 21, 1948, from Mr. Thomas, Director of the Division of Research and Statistics, recommending, for the reasons stated in the memorandum, that the System reporting form

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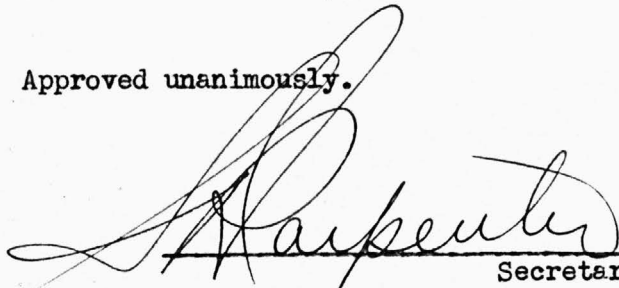
for collection of quarterly information on interest rates on business loans made at banks in 19 principal cities be revised in the form attached to the memorandum for use beginning with the June reporting period.

Approved unanimously.

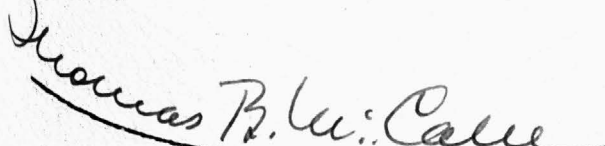
Letter prepared for Chairman McCabe's signature to Mr. Arthur M. Hill, Chairman, National Security Resources Board, reading as follows:

"In response to your letter of May 14, I am pleased to inform you that the Board will be glad to have Mr. Woodlief Thomas, Director of the Division of Research and Statistics, serve as a member of an Interdepartmental Advisory Committee on Plans and Programs which you are setting up for a six months' period. It is understood that members of the Committee from the different agencies of the Federal Government will serve in their personal capacities and not as official representatives of their agencies."

Approved unanimously.

  
Secretary.

Approved:

  
Chairman.