

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, June 28, 1948.

PRESENT: Mr. McCabe, 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 Board

Minutes of actions taken by the Board of Governors of the Federal Reserve System on June 25, 1948, were approved unanimously.

Memorandum dated June 24, 1948, from Mr. Clayton requesting, for the reasons stated in the memorandum, that a total of eight days per diem be authorized in connection with his recent trip to New England.

Approved unanimously.

Letter prepared for Chairman McCabe's signature to Mr. Frank A. Southard, Jr., Director, Office of International Finance, Department of the Treasury, reading as follows:

"I am pleased to confirm our conversation of this morning and, on behalf of the Board of Governors of the Federal Reserve System, offer you the position of Associate Director of the Division of Research and Statistics, to be in charge of all international activities of the Division, at a salary of \$13,500 per annum.

"This offer is made with the understanding that for a reasonable period of time, terminating not later than the end of this year, you will act as an adviser to the Secretary of the Treasury in order that you might be able to complete certain of your activities as a

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"member of the Treasury Staff, not more than one-half of your time being required for this work.

"We will be very happy to have you accept this appointment as our people here are eagerly anticipating your becoming a member of our organization.

"With warmest regards."

Approved unanimously, with the understanding that, since Mr. Southard is already a contributing member of the Civil Service retirement system, he will remain in that system.

Letter to Mr. Young, President of the Federal Reserve Bank of Chicago, reading as follows:

"The Board of Governors approves the payment of salaries to the following officers of the Federal Reserve Bank of Chicago for the period July 1, 1948 to March 31, 1949, inclusive, at the rates indicated which are the rates fixed by the Board of Directors as reported in your letter of June 23, 1948:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
William W. Turner	Vice President	\$12,000
H. Fred Wilson	Asst. Vice President	8,500
Russell A. Swaney	Assistant Cashier	7,100"

Approved unanimously.

Letter to Mr. Caldwell, Federal Reserve Agent of the Federal Reserve Bank of Kansas City, reading as follows:

"In accordance with the request contained in Mr. Koppang's letter of June 18, 1948, the Board of Governors approves, effective July 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>
	<u>Head Office</u>	
Maurice Allendoerfer	Assistant Federal Reserve Agent	\$4,200
Kenneth B. Self	Alternate Assistant Federal Reserve Agent	4,980

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<u>"Name</u>	<u>Title</u>	<u>Annual Salary</u>
	<u>Denver Branch</u>	
William R. Young	Federal Reserve Agent's Representative	\$4,500
H. B. Fisher	Federal Reserve Agent's Representative	4,080
	<u>Oklahoma City Branch</u>	
David E. Chase	Federal Reserve Agent's Representative	4,380
Lee G. Cox	Federal Reserve Agent's Representative	4,440
	<u>Omaha Branch</u>	
William F. Fairley	Federal Reserve Agent's Representative	4,320
Earl O. Streeter	Federal Reserve Agent's Representative	4,080"

Approved unanimously.

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

"In accordance with the request contained in Mr. Earhart's letter of June 23, 1948, the Board of Governors approves, effective July 1, 1948, the payment of salary to Mr. E. H. Galvin, Alternate Assistant Federal Reserve Agent, at the rate of \$6,900 per annum."

Approved unanimously.

Letter to the Transamerica Corporation, San Francisco, California, reading as follows:

"This refers to your letter of April 13, 1948, in reply to the Board's letter of March 5, 1948, relating to the question whether the stock of Occidental Life Insurance Company, Pacific National Fire Insurance Company, General Metals Corporation, and Columbia River Packers Association, Inc., and conventional mortgage loans, owned by your Corporation are readily marketable assets within the meaning of section 5144 of the Revised Statutes of the United States.

"The information and arguments presented in your letter have been carefully considered but the Board is unable to agree with your conclusions.

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"The information relating to Occidental Life Insurance Company and Pacific National Fire Insurance Company, wholly owned subsidiaries of your Corporation, does not bear directly upon the question whether the stock of these companies is readily marketable. Instead, it is merely to the effect that these are successful enterprises, that your Corporation's interest in each company is worth substantially more than the amount of readily marketable assets which your Corporation is required to possess, and that you believe that you could sell on short notice for more than that amount. With respect to General Metals Corporation and Columbia River Packers Association, Inc., subsidiaries of your Corporation which are not wholly owned by it, you emphasize the fact that the stock of these companies held by minority shareholders is traded to some extent on stock exchanges so that there are market quotations; but, as indicated in the Board's previous letter, this limited trading does not appear significant in determining whether the stock held by your Corporation should be regarded as readily marketable. The only new information submitted in connection with these companies is that, when your letter was written, you had under consideration offers to purchase the entire holdings of the Transamerica group for prices approximating the market bid quotations. The fact that you happen now to have an opportunity to sell through such specially negotiated transactions does not, however, warrant the treatment of the stock as readily marketable. With respect to the conventional mortgage loans you contend that their marketability is demonstrated by the fact that of approximately \$11,640,000 of loans acquired by your Corporation in May and June 1947, approximately \$4,653,000 subsequently were sold to institutions in which your Corporation owns no interest, with 73% being sold at a premium. The fact that certain assets have been sold does not establish that that class of assets is readily marketable; if such an argument were accepted, it could be used to prove that almost any class of assets was readily marketable.

"Under the law, the required assets must be readily marketable assets. In a ruling mentioned in its previous letter, the Board stated that the law apparently contemplates that 'the assets shall be of such a nature that their fair market value can be easily ascertained with reasonable accuracy and can be readily realized in the market at any time.' An asset does not comply merely because it is considered a sound and desirable investment

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"and it is believed that a purchaser at some price could be found if an effort were made; and, in this instance, this appears to be the substance of the information submitted with respect to the assets in question. Your letter indicates that it is your view that the statutory requirement is satisfied if the assets possessed by the holding company affiliate are of sufficient value that, regardless of their character and degree of marketability, it is reasonable to believe that they could be sold on short notice for an amount exceeding the required amount of readily marketable assets. This contention virtually disregards the words 'readily marketable' and can not be accepted in view of the express language of the statute.

"Accordingly, you are again advised that the Board does not regard any of the above-mentioned assets as readily marketable assets within the meaning of section 5144 of the Revised Statutes."

Approved unanimously, for transmission through the Federal Reserve Bank of San Francisco.

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

"Referring to your letter of June 17, 1948, the Board will interpose no objection to the replacement at an approximate cost of \$5,000 of the existing defective and condemned equipment at your Los Angeles Branch, as outlined in your letter."

Approved unanimously.

Letter to the Honorable Tom C. Clark, Attorney General, reading as follows:

"This refers to your letter of June 17, 1948 regarding proposals for State legislation which the Board of Governors might wish to place before the Council of State Governments.

"After careful consideration the Board has concluded that there are no such proposals which it wishes to submit for consideration at the July 16-17 meeting of the Drafting Committee of the Council. We appreciate, however, the opportunity afforded us to consider this matter."

Approved unanimously.

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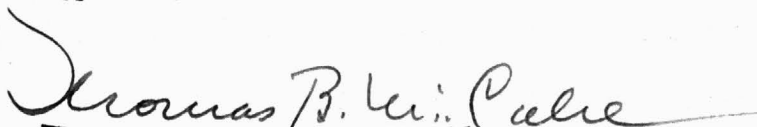
Letter to Mr. Frederick C. Mills, Commission on the Organization of the Executive Branch of the Government, 1626 K Street, Washington 25, D. C., reading as follows:

"In response to your letter of April 29, and supplementary letter of May 12, the Board's staff, at the request of the Board, has prepared a report on the statistical activities of the Board of Governors which it is hoped will be useful to you in the survey of the statistical agencies of the Federal Government that you have undertaken for the Commission on the Organization of the Executive Branch of the Government. Copies of the report and of pertinent publications of the Board are enclosed. You will appreciate, we are sure, that the statements contained in the report being supplied which do not expressly refer to positions taken by the Board of Governors may not necessarily reflect the Board's views."

Approved unanimously,


Secretary.

Approved:


Chairman.