Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, January 18, 1949. The Board met in the Board Room at 10:40 a.m.

PRESENT: Mr. McCabe, Chairman
Mr. Eccles
Mr. Szymczak
Mr. Draper
Mr. Evans
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. Thomas, Director of the Division of Research and Statistics
Mr. Vest, General Counsel
Mr. Leonard, Director of the Division of Bank Operations
Mr. Nelson, Director of the Division of Personnel Administration
Mr. Young, Associate Director of the Division of Research and Statistics

Mr. Thurston stated that, in accordance with the understanding at the meeting on January 14, he had prepared, but had not yet had an opportunity to discuss with the staff, a draft of statement which could be given to the press with respect to public statements by Mr. Kaiser of the Kaiser-Frazer Motor Car Company that Regulation W, Consumer Instalment Credit, was drastically curtailing sales of Kaiser and Frazer automobiles.

It was understood that Mr. Thurston would clear the statement with members of the staff and that it would be submitted to the Board for consideration at an early meeting.
In this connection Mr. Eccles read a wire which he had received from Mr. Kaiser dated January 12, 1949, and a letter which he proposed to send to Mr. Kaiser in reply, stating that the reply represented his own views and did not necessarily represent the views of any other member of the Board.

There was a discussion of the question whether the telegram received from Mr. Kaiser and the reply which Mr. Eccles proposed to send should be made public, and Mr. Eccles stated that he would send the letter to Mr. Kaiser as an expression of his personal views, but that he would not release it unless further publicity was given to the matter by Mr. Kaiser in a manner which would make release of the reply desirable.

Mr. Eccles then referred to the draft of statement prepared by Mr. Thurston, stating that he questioned whether a statement of that kind should be made by the Board at this time. This point was discussed but no conclusions were reached.

Mr. Young left the meeting at this point.

At Chairman McCabe's request, Mr. Carpenter read drafts of letters from Secretary of the Army Royall to the President and from the President to the Chairman of the Board of Governors, prepared in accordance with the discussion at the meeting on January 14, with respect to the possibility of the Board assisting the Government in organizing financial policy commissions to survey conditions
in occupied areas. During a discussion of the drafts, it was agreed that they should be changed to eliminate any reference to the Board obtaining the services of persons whom it would consider qualified to act as Chief of the Financial Division in Germany so that the request made of the Board by the President would be confined to an undertaking of the responsibility of setting up and providing from the Federal Reserve System a mission with a suitable staff to consider and make recommendations with respect to general policies and means of execution in the credit, monetary, and fiscal field in relation to the economic situation in Germany.

Chairman McCabe suggested that before any further steps were taken in the matter it should be discussed informally with Secretary of State Acheson and Secretary of the Treasury Snyder in order to obtain their views.

Chairman McCabe's suggestion was approved unanimously, with the understanding that he would report back to the Board the results of his discussions with Messrs. Acheson and Snyder.

During the discussion of the above matter, Mr. Eccles suggested that before the President's letter was sent to the Board, it should have in mind the personnel of the proposed mission and its staff.

Mr. Carpenter referred to S. J. Res. 16, passed by the Congress on January 17, 1949, making January 20 and 21, 1949,
holidays for Federal employees and employees of the District of Columbia in the metropolitan area of the District of Columbia. It was understood that the Board's offices would be closed on those days but that arrangements would be made, in accordance with the usual custom on holidays, to assure that building guards would be prepared to handle inquiries that might be received from the Federal Reserve Banks and the public during the two days.

Mr. Carpenter read a memorandum dated January 17, 1949, from Mr. Clayton as follows:

"In response to my call of last week, which I reported to the Board, Mr. Richard Rapport, of the National Association of Supervisors of State Banks, called me from New York this morning. He stated that he and his associates on the Legislative Committee, had considered the information I had conveyed to him, namely, that the Board was opposed to the enactment of the national bank conversion bill until such time as Congress should subject all insured banks to the reserve requirements imposed upon member banks.

"Mr. Rapport stated that the Committee feels that the Board's opposition to this bill would be disruptive of the harmonious relations that have obtained between the Federal Reserve and their organization for the past several years.

"He further stated that the Committee could see no logical connection between this bill and the reserve requirement theories or principles of the Board and felt that it was a matter of 'simple justice', as he put it, that national banks might be merged or consolidated with state institutions on substantially the same terms as the reverse can be accomplished under existing law.

"In answer to my question, he felt that no point would be served by any members of their Committee coming to Washington to confer with the Board.

"I told him that I would convey this information to my associates for their consideration."
Mr. Clayton stated that he had talked with Comptroller of the Currency Delano concerning this question, and that Mr. Delano stated that he would like to look into the matter further.

Mr. Vest stated that, in accordance with the action at the meeting on January 14, the Legal Division was preparing a draft of report on S. 101, a bill to provide for the conversion of national banking associations into and their merger or consolidation with State banks, in response to the letter from Chairman Maybank of the Senate Committee on Banking and Currency dated January 10, 1949, and it was understood that, when completed, the draft would be submitted to the Board for consideration.

At this point Messrs. Riefler, Thomas, Vest, Leonard, and Nelson withdrew and the action taken 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 January 17, 1949, were approved unanimously.

Memorandum dated January 17, 1949, from Mr. Thomas, Director of the Division of Research and Statistics, stating that the temporary appointment of Miss Carrie V. Grether, a research assistant in that Division, would expire at the close of business January 17, 1949, and that she would leave the Board at that time, with the understanding that a lump sum payment would be made for
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annual leave remaining to her credit as of that date.

Approved unanimously.

Letter to Mr. Patterson, Secretary of the Board of Directors, Federal Reserve Bank of Atlanta, reading as follows:

"The Board of Governors approves the reappointments of Messrs. John E. Sanford, W. W. French, I. C. Milner, George Winship and Luther H. Randall as members of the Industrial Advisory Committee for the Sixth Federal Reserve District to serve for terms of one year each, beginning March 1, 1949, in accordance with the action taken by the Board of Directors of the Federal Reserve Bank of Atlanta, as reported in your letter of January 14, 1949."

Approved unanimously.

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

"The Board of Governors approves the reappointments of Messrs. Edward J. Doyle, Walter Harnischfeger, Edward M. Kervin, G. Barret Moxley, and James L. Palmer as members of the Industrial Advisory Committee for the Seventh Federal Reserve District to serve for terms of one year each, beginning March 1, 1949, in accordance with the action taken by the Board of Directors of the Federal Reserve Bank of Chicago, as reported in your letter of January 13, 1949."

Approved unanimously.

Letter to Mr. Carstarphen, Secretary of the Federal Reserve Bank of St. Louis, reading as follows:

"The Board of Governors approves the reappointments of Messrs. Wm. K. Norris, Jacob VanDyke, M. E. Finch and G. A. Heuser as members of the Industrial Advisory Committee for the Eighth Federal Reserve District to serve for terms of one year each, beginning March 1, 1949, in accordance with the action
"taken by the Board of Directors of the Federal Reserve Bank of St. Louis, as reported in your letter of January 14, 1949.

"It is noted from your letter that, after the Committee has elected its officers for the ensuing year, the Board of Governors will be advised."

Approved unanimously.

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

"This refers to Mr. Sheehan's letters of January 30, 1948 and December 7, 1948, and their enclosures, concerning the opening of a small sub-office of the Stuttgart branch of the Chase National Bank at Stuttgart, Germany.

"On the basis of the information submitted in the letters referred to above, the Board will interpose no objection at this time to the continued operation of the sub-office. If, however, it should appear such sub-office is to be a permanent office or its operations should be expanded beyond those stated in the enclosures to the letters referred to above, the Board would wish to give the matter further consideration.

"It is suggested that your bank advise the Chase National Bank of the Board's views in this matter and request the Chase National Bank to keep you informed with regard to the operation of the sub-office."

Approved unanimously.

Letter to the Honorable Edmond M. Hanrahan, Chairman, Securities and Exchange Commission, reading as follows:

"Mr. Emil Schram, President of the New York Stock Exchange, has requested that the Board amend Regulations T and U so that specialists could be financed on the basis now permitted for odd-lot dealers. Our staff has already advised your staff informally of this request.

"It would be helpful for the Board to have the benefit of any advice or suggestions that the Securities and Exchange Commission may care to offer with regard
"to the Exchange's request, since this relates to a matter of mutual concern. We should be pleased, therefore, to have the Commission's views on the matter. In this connection, you will appreciate that the Board would need to consider also the question of the proper timing of such an amendment, if it should appear that it is otherwise appropriate to the purposes of these regulations.

"We would, of course, be glad to have our staff cooperate with yours in working on the matter. Please feel free to have any members of your staff get in touch informally at any time with Mr. Solomon of the Board's Legal Division, or Mr. Pawley of the Division of Research and Statistics."

Approved unanimously.

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

"Board's offices will be closed on Inauguration Day and the following day, January 20 and 21, except that telegraph office will be open and Interdistrict Settlement will be conducted as usual. Treasury will make no shipments of currency on either day. Board's weekly Federal Reserve Bank condition statement will be issued Wednesday, January 19, as of Tuesday, January 18. To avoid confusion, statements issued by individual Federal Reserve Banks should also be as of Tuesday, January 18. In the following week's statement, the figures for January 26 will be compared with those for Wednesday, January 19, and such figures will be used thereafter for publication in Bulletin and for other purposes. Therefore, a regular Form 34 telegram should be sent to the Board as of Tuesday, January 18, and also as of Wednesday, January 19. Board's press statements of condition of weekly reporting banks in New York City and Chicago as of Wednesday, January 19, will be issued on Monday afternoon, January 24, but Federal Reserve Banks of New York and Chicago are authorized to issue their corresponding statements on Thursday afternoon as usual."

Approved unanimously.
Letter to Mr. James V. Bennett, General Chairman, Federal Interdepartmental Safety Council, 101 Indiana Avenue, N. W., Rooms 1032-1038, Washington 25, D. C., reading as follows:

"This will acknowledge your letter of December 23, 1948, addressed to Chairman McCabe, regarding the program to reduce the number of motor vehicle accidents in the Federal service.

"The Board has had a program in effect for a number of years comparable to the one outlined in your letter. It has proven very successful and it is expected to be continued. However, because of the small number of operators on our staff, we do not plan to use the operator's permit mentioned in your letter. "The Board appreciates the Council's efforts in this direction and feels that the program is worthy of support."

Approved unanimously.

Approved:

[Signature]
Chairman.