

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, March 23, 1949. The Board met in the Board Room at 2:30 p.m.

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

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. Nelson, Director of the Division of Personnel Administration
Mr. Millard, Director of the Division of Examinations
Mr. Baumann, Assistant General Counsel

Mr. Szymczak referred to the Board's letter to the Bank of America N.T. & S.A., San Francisco, dated March 16, 1949 stating that the Board did not believe that it would be justified in approving the Bank's applications for permission to establish branches in Bremen, Hamburg, and Frankfurt-am-Main, Germany on the basis of such information as it now had, that there were certain important questions which had arisen in connection with the consideration of the applications, and that before taking final action in the matter the Board felt it would be desirable to have a discussion of these questions at a meeting in Washington between representatives of the Board and a senior officer or officers of the Bank. Mr.

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Szymczak said that a telegram had been received today from Mr. Earhart, President of the Federal Reserve Bank of San Francisco, stating that Mr. Russell G. Smith, Executive Vice President of the Bank of America, would like to discuss the matter at the Board's offices on Monday morning, March 28, 1949.

Following a discussion, upon motion by Mr. Szymczak, a telegram to Mr. Earhart was approved in the following form:

"Your wires date. Because of absences from the city, it will not be convenient for representatives of Board to meet with Mr. Smith on March 28. First convenient date will be early in April and I will wire you about April 4 suggesting suitable dates."

Reference was then made to a draft of reply to a letter from Mr. Brainard, Chairman, and Mr. Baker, Deputy Chairman, of the Federal Reserve Bank of Cleveland, dated March 16, 1949, in which it was stated that at the meeting of the Board of Directors on March 10, 1949 it was voted to recommend to the Board of Governors, for reasons outlined in the letter, that favorable consideration be given to an increase in the annual salary rate of President Ray M. Gidney from \$25,000 to \$30,000 and that of First Vice President William H. Fletcher from \$18,000 to \$21,000.

The Secretary read the draft of reply which was changed and approved unanimously in the following form:

"Reference is made to your letter of March 16, 1949, advising of the recommendation of your board of directors

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"that favorable consideration be given to increasing the annual salary rates of the President and First Vice President of the Federal Reserve Bank of Cleveland.

"The Board recently considered the question of salaries of Presidents and First Vice Presidents of the Reserve Banks, and it was concluded that no change in the present salary ceilings for Presidents and First Vice Presidents of the Reserve Banks should be considered at this time. In this connection consideration was given to the effect of contemplated changes in the Retirement System which, if made effective, would increase substantially the pensions of a number of officers, especially those in the higher salary brackets, and to the fact that the cost of living has stopped going up and some further downward adjustment in living costs may take place in the next year or so. The view was expressed also that in the absence of further inflationary developments the Board could not expect in the future to approve what might be regarded as cost of living increases in the salaries of officers of the Reserve Banks, and that increases would be justified only when the officers' duties were changed or there were other special circumstances.

"The Board appreciates the views of your directors with respect to the performance of the officers of the Federal Reserve Bank of Cleveland, and you may be assured that its decision has been reached after full consideration of all of the circumstances involved."

A memorandum from Mr. Thomas dated March 21, 1949 was then presented stating that information had been received informally from the Federal Reserve Bank of New York to the effect that the President of the new National Bank of Cuba would like to have the advisory service of Henry C. Wallich, a member of the Research Department of the Federal Reserve Bank of New York, to help in organizational problems for a couple of weeks in the first half of April. The memorandum also stated that the trip to Cuba would fit in conveniently with Mr.

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Wallich's scheduled trip to San Salvador in connection with advisory work which he has been doing for that country during the past year or two, and that the request for authorization of the trip would be submitted to the directors of the New York Bank for consideration at their meeting tomorrow.

Mr. Szymczak suggested that if the directors of the New York Bank voted to approve sending Mr. Wallich to assist the National Bank of Cuba, the Board interpose no objection and that the New York Bank be advised informally to that effect.

Mr. Szymczak's suggestion was approved unanimously.

Mr. Szymczak then stated that a letter had been received from Mr. Sproul, President of the Federal Reserve Bank of New York, dated March 18, 1949, outlining a tentative program of foreign travel for that Bank for the year 1949 as follows: (1) A trip taking approximately two months, probably in May and June, to certain European countries by Mr. Knoke, Vice President in charge of foreign operations, accompanied by a member of the Foreign Research Division. (2) If the previously arranged and later postponed conference of central banks of the American continent is held at Santiago, Chile, in the fall months, the Bank would wish to have Mr. Horace Sanford, Assistant Vice President in the foreign function, and Mr. Ernest Moore, Manager of the Research Department,

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attend. (3) Conceivably, but not probably, the Bank might wish to send a qualified man to the Middle East late in the year principally to call on correspondents of the New York Bank in Greece, Turkey, and Iran, and perhaps to visit Palestine and Portugal.

Mr. Szymczak stated that he would recommend approval of the proposed European trip of Mr. Knoke and one other representative of the New York Bank. He also said that, for reasons which he discussed, he felt Mr. Thomas should call on the central banks of Europe this year, that he had discussed this matter with Mr. Thomas before receiving Mr. Sproul's letter, and that Mr. Thomas had prepared a memorandum under date of March 16, 1949 outlining a tentative program for such a trip, probably during the months of June and July. Mr. Szymczak also stated that, since the purpose of Mr. Knoke's trip would be mainly to discuss technical problems arising out of correspondent bank relationships and Mr. Thomas' visit would be for the purpose of reviewing the general economic situation and monetary and credit policies, he did not feel they necessarily should go together but that their visits to some central banks might be made at the same time. Mr. Szymczak added that he had discussed the matter with Mr. Riefler, who reported that Chairman McCabe informed him over the telephone that he favored the proposed trip.

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In connection with the second proposal contained in Mr. Sproul's letter, Mr. Szymczak suggested that no action be taken at this time but that Mr. Sproul be informed that the Board still felt, as stated in its letter of April 2, 1948, that if the conference of central banks of the American Continent were held the total delegation from the Federal Reserve System should not exceed four persons, that two of these should be from the Board, and that a Federal Reserve Bank other than New York should be represented. With respect to the third paragraph, he said, no action was called for until a more definite proposal for the trip had been made.

Following a discussion, upon motion by Mr. Szymczak (1) the recommendation contained in Mr. Thomas' memorandum of March 16, 1949, that he be sent to call upon central banks in Europe, was approved unanimously with the understanding that a memorandum outlining an itinerary would be submitted by Mr. Thomas at a later date and (2) a letter to Mr. Sproul, President of the Federal Reserve Bank of New York was approved in the following form:

"Your letter of March 18, 1949, addressed to Mr. Szymczak, outlining a tentative program for foreign travel by representatives of your Bank during the year 1949 was considered at a recent meeting of the Board.

"With respect to the proposed trip for Mr. Knoke to certain European countries, probably in May and June, on which he would be accompanied by either Mr. Wallich or Mr. Kriz, the Board has no objection to the plans contemplated. For your information, the Board has approved sending Mr. Thomas, Director of the Division of Research and Statistics, to visit several of the European central banks, perhaps during June and July of this year, and it is suggested that he and Mr. Knoke discuss their itineraries with a view to working out whatever arrangements

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"may seem desirable for calling at some of the central banks together.

"If you will let us know Mr. Knoke's departure date and the schedule he expects to follow, we shall be glad to forward the usual letters furnished by the Board in connection with visits by representatives of the Federal Reserve Banks to other central banks.

"With respect to the proposal that Mr. Sanford and Mr. Moore attend the conference of central banks on the American Continent, if it is held in Santiago, Chile, next Autumn, the Board expects that, as indicated in its letter to you on April 2, 1948, the United States delegation would include representatives from your Bank, from one of the other Reserve Banks, and from the Board, and that the total number of the delegation should not exceed four persons, of which two would be from the Board. For this reason, it would not be inclined to favor plans which contemplated sending two representatives from your bank.

"It is noted that conceivably, but not probably, you may find it desirable to send a qualified man to the Middle East later in the year, principally to call on correspondents of your Bank in Greece, Turkey, Iran, and perhaps to visit Palestine and Portugal. If such plans become more definite, we shall appreciate receiving additional information from you as to the proposed trip."

Mr. Carpenter presented a proposed form of notice to be addressed to individuals from whom testimony was desired at the hearing in connection with the Clayton Act proceeding against Transamerica Corporation. He stated that it was contemplated that the form would be sent to each person with whom appropriate arrangements were made by Mr. Townsend to give testimony at the hearing.

Upon motion by Mr. Vardaman the notice was approved in the following form. Chairman McCabe and Mr. Evans

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had indicated that if they were present they would vote to approve the form. Governors Eccles and Clayton took no part in the consideration of or action on this matter:

"In the Matter of
Transamerica Corporation.

"To:

"Sir:

"Formal hearings in the above-entitled proceeding are in progress in San Francisco before a hearing officer appointed by the Board of Governors. Your testimony is desired in that proceeding. Accordingly you are requested to present yourself at the Hearing Room in the Federal Reserve Bank Building, Sacramento and Sansome Streets, San Francisco, California, on 1949, at 10 o'clock a.m., in order that your testimony may be received.

(signed) S. R. Carpenter,
S. R. Carpenter,
Secretary,
Board of Governors."

Mr. Szymczak stated that Mr. Riefler had been invited by Mr. Hoffman, Administrator, Economic Cooperation Administration, to serve on the Economic Cooperation Administration Advisory Committee on development of colonial areas and that the Personnel Committee saw no objection to Mr. Riefler's serving in this capacity.

Mr. Riefler stated that he had not discussed the matter with Chairman McCabe but that he would do so. He added that he understood that very little of his time would be required in connection with the appointment.

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It was the consensus that, if Chairman McCabe agreed, the Board would interpose no objection to Mr. Riefler serving in the capacity outlined.

Secretary's Note: Mr. Riefler subsequently informed the Secretary's Office that he had discussed the matter with Chairman McCabe who stated that he approved Mr. Riefler's serving in the capacity outlined.

At this point Messrs. Riefler, Thomas, Nelson, Millard, and Baumann withdrew and 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 March 22, 1949, were approved unanimously.

Letter to Mr. Hilkert, Vice President of the Federal Reserve Bank of Philadelphia, reading as follows:

"For the reasons outlined in your letter of March 17, 1949, the Board of Governors approves the payment of salaries to the following part-time employees at the rates indicated which, when converted to a full-time basis, exceed the maximums of the grades in which the jobs are classified.

<u>Name</u>	<u>Title</u>	<u>Grade</u>	<u>Salary</u>
William S. Magee	Medical Director	15	\$4,000
Catherine Bellas	Waitress	3	1,368
L. F. Lohmuller	Waitress	3	1,368
Reba L. McLaughlin	Waitress	3	1,368"

Approved unanimously.

Letter to the "First National Bank of Canajoharie", Canajoharie, New York, reading as follows:

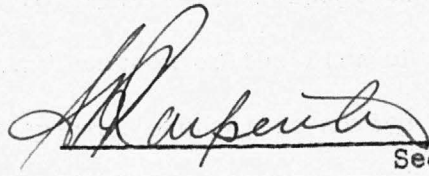
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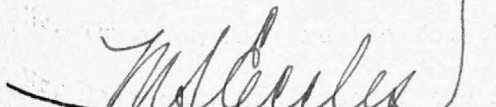
"The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers, and grants you authority to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State of New York, the exercise of all such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

"This letter will be your authority to exercise the fiduciary powers granted by the Board pending the preparation of a formal certificate covering such authorization, which will be forwarded to you in due course."

Approved unanimously.


Secretary.

Approved:


Chairman pro tem.