

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, April 12, 1949. The Board met in the Board Room at 11:05 a.m.

PRESENT: Mr. Szymczak, Chairman pro tem.  
Mr. Draper  
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. Vest, General Counsel  
Mr. Leonard, Director of the Division of Bank Operations  
Mr. Nelson, Director of the Division of Personnel Administration

Mr. Vardaman referred to the discussion at the meeting on February 24, 1949 of the request by the Federal Reserve Bank of Minneapolis in its 1949 budget for approval of an expenditure of \$20,000 to remake its moving picture entitled "Behind Banks and Business" which was last revised in 1936. Mr. Vardaman suggested that the Board authorize the Minneapolis Bank to proceed with the proposed revision or a new film under an arrangement whereby the Board would pay up to \$10,000 of the costs of the project and would appoint Mr. Thurston to work with the Minneapolis Bank in making a film which could be used by all of the Federal Reserve Banks.

There was a discussion of Mr. Vardaman's suggestion but no conclusion was reached.

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Mr. Vardaman stated that he had received from Mr. Vernon L. Clark, National Director, U. S. Savings Bond Division of the Treasury Department, a letter dated April 8, 1949, asking that he contribute a statement to be used in the Savings Bond Drive which will open May 16 and run through June 30, 1949, that he understood that each member of the Board received a similar letter, and that he recommended that Chairman McCabe make a statement on behalf of the Board rather than an individual statement being made by each member.

Following a discussion, Mr. Thurston was requested to ascertain from Mr. Clark and report to the Board as to whether he would prefer a single statement on behalf of the Board or statements from individual members of the Board, and whether he had requested similar statements from the Presidents of the individual Federal Reserve Banks.

Mr. Clayton left the meeting at this time because he did not want to be present when the matters relating to Transamerica were discussed.

Mr. Vardaman suggested that Mr. Vest be requested to telephone Special Counsel Smith who is observing the hearings in San Francisco in the Clayton Act proceeding against Transamerica to request that during his attendance at the hearings he observe and upon his return to Washington be prepared to comment on the question whether the lack of authority to subpoena witnesses is having any material effect on the ability of either the Board or the respondent to develop all the evidence that the respective counsel would like to put into the record.

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Mr. Vardaman's suggestion was approved unanimously.

At this point Messrs. Riefler, Vest, Leonard, and Nelson 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 April 11, 1949, were approved unanimously.

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

"Reference is made to your letter of March 26, 1949 and to the letter from L. G. Meyer dated March 15, 1949, requesting approval of a new scale of salaries under the Job Classification and Salary Administration Plan for the Head Office of the Federal Reserve Bank of Chicago.

"The Board approves, effective April 1, 1949, the following minimum and maximum salaries for the respective grades at the Head Office:

<u>Grade</u>	<u>Minimum Salary</u>	<u>Maximum Salary</u>
1	\$1500	\$1980
2	1680	2220
3	1860	2520
4	2100	2820
5	2340	3120
6	2580	3480
7	2880	3900
8	3180	4300
9	3540	4700
10	3900	5200
11	4300	5800
12	4800	6500
13	5400	7200
14	6000	8100
15	6700	9000
16	7500	10,100

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"In order to conform more closely to the policy of having a spread between the lowest and highest wage structure in the system fall within 25 per cent the salary limits for the three top grades have been altered slightly in accordance with an informal agreement with your personnel office.

"The Board approves the payment of salaries to the employees, other than officers, within the limits specified for the grades in which the positions of the respective employees are classified. It is assumed that all employees whose salaries are below the minimum of their grades as a result of the structure increase will be brought within the appropriate range as soon as practicable and not later than July 1, 1949.

"It is understood that there will be no change in the minimums and maximums at the Detroit Branch and they will, therefore, remain as approved by the Board in its letter of August 28, 1947."

Approved unanimously.

Telegrams to Messrs. Sproul, Young, and Earhart, Presidents of the Federal Reserve Banks of New York, Chicago, and San Francisco, respectively, reading as follows:

"It has been suggested that special provision be made in Regulations T and U to facilitate the purchase of equity securities through 'rights', whether such rights are held by original stockholder to whom issued or are bought in the market. Section 6(1) of Regulation T and 3(p) of Regulation U, by giving 50 per cent loan value not only on the new security but also on other collateral put up in that connection, were intended chiefly to help original stockholder maintain his proportionate interest at a time when 100 per cent or 75 per cent margins would have made that difficult without such special provisions. That need largely disappeared when general margin requirements were reduced to 50 per cent. Present suggestion relates chiefly to facilitation of equity financing rather than protection of original stockholder's proportionate interest.

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"Text of possible amendments along lines indicated is set forth below. It will be appreciated if you will let us have the benefit of your comments and suggestions regarding both the form and substance of the possible amendments by Friday, April 15. You may feel free to discuss the basic idea with such persons as you may consider appropriate, without however disclosing language of possible amendments."

Approved unanimously.

Letter to the Honorable Scott W. Lucas, United States Senate,  
reading as follows:

"The enclosed letter dated March 31, from Mr. B. J. Hank, President of Conlon-Moore Corporation, Chicago, was received with your memorandum of April 4. In this letter, as in past letters written by Mr. Hank, he urges that Regulation W be amended so as not to apply to 'trial' or 'approval' deliveries of household appliances in anticipation of instalment sales.

"Although we respect Mr. Hank's opinion and are glad to receive it, there is little on this subject that we can add to our letter of March 21, a copy of which is enclosed. It is the Board's view that Regulation W has been liberalized in this respect about as much as it can be at present without excessive weakening of the down-payment requirements.

"Thank you for sending Mr. Hank's letter to us. His views will be considered in our study of the scope and effect of Regulation W."

Approved unanimously.

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

"For your information there is enclosed a copy of a letter dated April 7, 1949, in which the Board expressed its views to the Chairman of the Home Loan Bank Board regarding certain proposed amendments to the rules and regulations of the Federal Savings and Loan System. In this connection, as you may know, the

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"American Bankers Association filed a memorandum with the Home Loan Bank Board in opposition to the proposed amendments, and protests have also been made by others. It is also understood that the Treasury and the Federal Deposit Insurance Corporation have addressed letters to the Home Loan Bank Board in opposition to the proposed amendments."

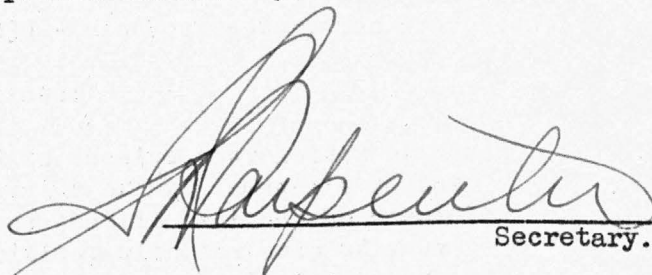
Approved unanimously.

Letter to Governor Klas Bök, Sveriges Riksbank, Stockholm, Sweden, reading as follows:

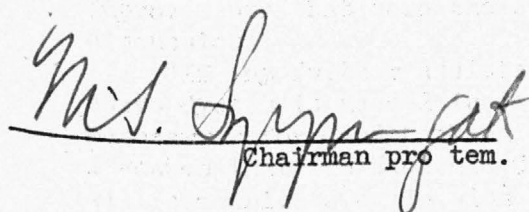
"This is to acknowledge and thank you for your letter of March 11, addressed to Governor Eccles, in which you discuss Sweden's present economic and monetary situation. This letter is being brought to the attention of all the members of the Board of Governors here.

"We are much interested in the steps that the Swedish authorities have been taking to meet the unique set of problems facing your country, and it is gratifying to read your very clear analysis of recent progress in meeting and overcoming these problems."

Approved unanimously.

  
Secretary.

Approved:

  
Chairman pro tem.