

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, April 20, 1949. The Board met in the Board Room at 10:10 a.m.

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

Mr. Carpenter, Secretary

Chairman McCabe referred to the discussion at the meeting of the Board yesterday relating to legislation to extend the authority to prescribe supplemental reserve requirements. He stated that it would be helpful to him if he could have the views of the members of the Board with respect to the form of the legislation for the continued regulation of consumer instalment credit.

The matter was discussed and the members present were in agreement that while there should be no vote at this time and that the matter should be considered at a later meeting of the Board, the Board should ask for legislation granting permanent authority over consumer instalment credit, it being understood that if it appeared that Congress would be willing to grant only a temporary extension of the existing authority, the language of the Resolution adopted August 16, 1948, should be changed to provide that the Board would be authorized to exercise the authority for the purpose of aiding in protecting the nation's monetary, banking, and

4/20/49

-2-

credit structure and interstate and foreign commerce against the burdens and dislocations which might result from undue expansion or contraction of credit.

Mr. Vardaman repeated the statement that he made at an earlier meeting of the Board that he would favor an extension of the authority to regulate consumer instalment credit only in the event that legislation were also enacted to extend the authority of the Board to prescribe supplemental reserve requirements.

There was a further discussion of Mr. Thomas' proposed trip to Europe and reference was made to an informal memorandum from Mr. Vest written at the request of Mr. Vardaman in which it was stated that it was within the legal authority of the Board to authorize the trip and to grant such allowances for expenses in connection with the trip as appeared to it to be reasonable.

At the conclusion of the discussion, it was voted to authorize the trip as outlined in Mr. Thomas' memorandum of April 7, 1949, and the allowances requested in the memorandum were approved with the understanding that Mr. Thomas would take at least 21 days annual leave while on the trip, during which time the \$20 per diem would not be allowed, and that the \$2,500 cash advance would be secured by the amounts due him for accumulated annual leave.

Mr. Vardaman did not vote on this action for the reasons stated by him at the meeting yesterday.

In connection with the above action, there was a discussion

4/20/49

-3-

of the consideration that had been given to filling the vacancy created in the Division of Research and Statistics by the resignation of Mr. Southard as Associate Director of the Division, and of the supervision of the Division during the absence of Mr. Thomas in Europe.

During the discussion Mr. Riefler was called into the meeting. It was stated that as Associate Director, Mr. Young would have charge of the Division while Mr. Thomas was away, and it was suggested that because of the excellent work that he had been doing, his salary be increased from \$13,500 to \$14,500.

This suggestion was approved unani-  
mously, and upon motion by Mr. Clayton,  
Mr. Young's salary was fixed at \$14,500  
per annum, effective as of the beginning  
of the next payroll period.

This action was taken with the under-  
standing that no decision would be made to  
fill the vacancy of Associate Director in  
charge of the International Section until  
Mr. Thomas returned, that while he was in  
Europe he would interview an individual who  
had been under consideration for appointment  
to the position of Chief of International  
Economic Policy in the International Section,  
and that if the interview was satisfactory  
the individual could be asked to come to  
Washington at the expense of the Board for a  
further interview.

The meeting then recessed and reconvened at 2:30 p.m. with  
the same attendance as at the beginning of the morning session ex-  
cept that Mr. Clayton was not present and Mr. Morrill, Special



4/20/49

-4-

Adviser to the Board, and Mr. Vest, General Counsel, were in attendance.

At this meeting further consideration was given to the basis for reimbursement of any member of the Board or its staff for expenses of travel during the current calendar year for the purposes of the hearings in the West in connection with the Clayton Act proceeding against Transamerica Corporation, and it was proposed that all such travel expenses be reimbursed under an authorization which would be in lieu of all previous authorizations and which would provide for the current year that in addition to the per diem and other allowances authorized by the Board's official travel regulations, the traveler if now in the West in connection with the hearings would be allowed (1) reimbursement for the rental cost of a small, modest, furnished apartment or suitable hotel room accommodations as shown by receipted bills, and (2) such additional supplemental allowances for other expenses in an amount not to exceed \$300 as may be approved by the Personnel Committee.

This suggestion was approved unanimously with the understanding that the substitute authorization would become effective immediately.

Reference was made to the suggestion by Mr. Townsend, the Board's Solicitor, that Mr. Goldenweiser, Consultant to the Board, be requested to go to San Francisco for the purpose of appearing

4/20/49

-5-

at the hearings in connection with the Clayton Act proceeding against Transamerica Corporation for the purpose of testifying as an expert that banking is interstate commerce within the meaning of the interstate commerce clause of the Constitution of the United States.

There was a discussion of the suggestion, and Mr. Morrill was requested to talk with Mr. Townsend by telephone for the purpose of ascertaining how long Mr. Goldenweiser would be expected to be in San Francisco, and to submit a recommendation to the Board as to the basis upon which Mr. Goldenweiser should be reimbursed for the expenses of the trip.

Unanimous approval was given to the following letter for Chairman McCabe's signature to Mr. Townsend:

"It would be very helpful with a view to keeping the Board currently informed as to the progress and prospective developments in the Transamerica proceeding and in order to facilitate the consideration of any questions that may arise from time to time if you would telegraph, telephone or write to Chester Morrill at frequent intervals giving him any information along these lines that would be useful to the Board. I know how busy you are and how exacting the day to day responsibility for the preparation and presentation of evidence in the Transamerica proceeding must be, and for this reason I have suggested that we use Chester Morrill as the channel of communication, believing that you and he will know best how to meet the Board's wishes with a minimum of inconvenience."

There were then presented drafts of statements outlining the responsibilities of the Chairman and Members of the Board and other information requested in a telephone conversation today with the Bureau of the Budget, in connection with positions at

4/20/49

-6-

the Board covered in H. R. 1689, as amended, a bill to increase the rates of compensation of the heads and assistant heads of executive departments and independent agencies.

Following a discussion, the statements were approved substantially in the form submitted to be transmitted with the following letter dated April 21, 1949, to Mr. DuBois at the Bureau of the Budget:

"In accordance with our conversation, I am enclosing the material which you were requested by Chairman Murray to send to him today."

At this point Mr. Vest 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 19, 1949, were approved unanimously.

Letter prepared for Chairman McCabe's signature to Mr. M. Cuaderno, Sr., Governor of the Central Bank of the Philippines, Manila, Republic of the Philippines, reading as follows:

"After consideration of your letter of April 4 requesting that the Board grant an extension of Mr. David L. Grove's leave of absence, the Board has agreed to extend his leave of absence for an additional three months' period, to August 26, 1949. May I request that you inform Mr. Grove of our decision in this matter.

"I regret that the pressing needs for Mr. Grove's services here make it impossible for the Board to extend his leave for a longer period, as you requested. We trust that with the extension of Mr. Grove's leave to August he will be able to carry his work to the point where it can be turned over safely to others at your Bank.

"We are happy to know that the Central Bank of the Philippines has made such fine progress since its inauguration on January 3, 1949, and are glad to



4/20/49

-7-

"know that Mr. Grove has played such a prominent part in assisting you in the setting up of the initial program. We are not unmindful of the many problems involved in the establishment and early operations of a central bank. We want to congratulate you on the success that you have had in meeting these problems, and to assure you of our continuing interest and good wishes."

Approved unanimously.

Memorandum dated April 18, 1949, from Mr. Bethea, Director of the Division of Administrative Services, recommending that the resignation of Joseph G. Tulenko, tabulation planner in that Division, be accepted to be effective, in accordance with his request, at the close of business April 29, 1949.

Approved unanimously.

Memorandum dated April 20, 1949, from Mr. Bethea, Director of the Division of Administrative Services, recommending the appointment of Mrs. Mary H. Heresko as an operator (key punch) in that Division, on a temporary basis for a period of six months, with basic salary at the rate of \$2,498.29 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed the usual physical examination.

Approved unanimously.

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

"At the meeting of the Staff Group on Foreign Interests December 13, 1948, there was discussion of

4/20/49

-8-

"the procedure to be followed in granting leaves of absence to members of your Bank's staff to serve with other organizations, particularly those engaged in international activities. This was the subject also of the Board's letter to you of October 22, 1948, and your reply of November 10. Your own view, as stated in your letter of November 10 and as expressed by Mr. Knoke in the meeting of December 13, was that, when the members of the Bank's staff were asked for by name, it should not be necessary for prior advice to be given by the Bank to the Board, 'since the opportunity for selection by the System would not usually be present in such circumstances'.

"In the view of the Board, on the other hand, as expressed by Mr. Southard and Mr. Riefler, the fact that the services of a given person are requested by name makes little difference. There would still be questions not only of the advisability of providing the type of assistance requested but also of the possibility of suggesting substitutes, as in fact have been suggested at times and accepted. For example, the ECA recently requested the services of Mr. Riefler in Korea but accepted the suggestion that it use Mr. Tamagna's services instead.

"The matter is recalled by recent letters from Mr. Clarke, Assistant Secretary of the Bank, who, under date of March 4 and April 1, informed the Board that leaves of absence had been granted to certain members of the staff. In the case of Mr. Kybal the grant was an extension of leave already in effect, and in the case of Mr. Wallich, Mr. Knoke had already informed Mr. Thomas of what was contemplated. But the leave without pay granted Mr. Thomas J. Roche to serve with the International Fund, the leave granted Mr. Fred H. Klopstock to serve the State Department, and the leave granted Mr. Donald C. Niles to serve as Mr. Shepard A. Morgan's assistant in Germany do not appear to have been brought to the Board's attention before action was taken by your Board of Directors.

"It seems to us that the spirit of the 1945 understanding calls for advice in all cases, with an opportunity to interpose objection or to make a counter-proposal. We realize the difficulty of always informing one another at an early stage on requests received for the services of personnel, since some requests develop informally and at times very quickly. We have

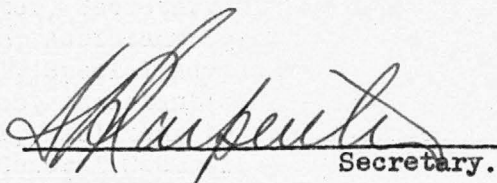


4/20/49

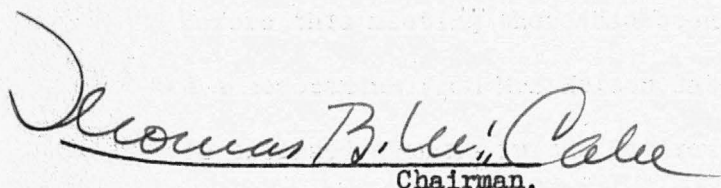
-9-

"ourselves omitted on occasion to inform you at an early stage of personnel requests received by the Board. However, on neither side should this be taken to indicate any indifference to the importance of keeping each informed of the other's participation in foreign activities and closely related matters."

Approved unanimously.

  
Secretary.

Approved:

  
Chairman.