

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, May 5, 1949.

PRESENT: Mr. McCabe, Chairman
Mr. Eccles
Mr. Szymczak
Mr. Draper
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 May 4, 1949, were approved unanimously.

Memorandum dated May 4, 1949, from Mr. Leonard, Director of the Division of Bank Operations, recommending that the resignation of Mrs. Catherine Benson, a clerk in that Division, be accepted to be effective, in accordance with her request, at the close of business May 13, 1949.

Approved unanimously.

Telegram to Mr. Mangels, First Vice President of the Federal Reserve Bank of San Francisco, reading as follows:

"Reurtel May 4 advising that, in accordance with recommendation of your architects and engineers, your Directors had approved redesign of the Seattle building to conform to Earthquake Zone 3 Requirements and that the over-all additional cost of such changes would be \$33,500.

"The Board authorizes such additional expenditure."

Approved unanimously.

Memorandum prepared for Chairman McCabe's signature to the

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Honorable Burnet R. Maybank, Chairman of the Senate Committee on Banking and Currency, in accordance with action at the meeting of the Board on May 2, 1949, reading as follows:

"In compliance with your recent telephone request, I hand you herewith drafts of bills to authorize the Board of Governors to require supplemental bank reserves and for the extension of consumer credit controls.

"You will note that I am submitting two drafts on supplementary bank reserves, one of which would authorize supplementary reserves up to 10 per cent of demand deposits and 4 per cent of time deposits in accordance with the recommendation of the President in his Economic Report at the beginning of the 81st Congress. I am submitting the alternative draft, which would continue the present supplementary authorization of 4 per cent of demand deposits and 1-1/2 per cent of time deposits, in accordance with the discussion which I recently had with you and Senator Robertson.

"It is the opinion of the Board of Governors that a standby authority is needed to require these supplementary reserves up to a maximum of 10 per cent of demand deposits and 4 per cent of time deposits, as the Board would like to be prepared to meet any contingency in the future, and a contingency could easily arise if the inflationary forces should again gather momentum. Even though our economy is now in a period of recession and the downward tendency may continue for some time, there is always the possibility, particularly with heavy deficit financing or a war scare abroad, of setting the inflationary forces in motion again.

"In deference, however, to the opinions which you and Senator Robertson expressed in our recent discussion, I feel disposed to follow your judgment in the matter as to which of the alternative drafts on bank reserves it is desirable to introduce. I am therefore leaving the decision in the matter in your hands.

"The enclosed draft of consumer credit legislation is quite brief and provides for the extension of the authority for two years. While we believe that this should be a permanent authority, I am again disposed to defer to the judgment of yourself and Senator Robertson as to the type of legislation to be introduced. We would of course be glad to furnish a draft of a bill

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"putting this authority on a permanent basis, if you should feel that such a bill would have any reasonable chance of success.

"Will you please let me know at your earliest convenience when you will introduce the bills and when the hearings will be scheduled, as I would like to furnish Congressman Spence with duplicate drafts in order that he may introduce legislation in the House at the same time that you introduce it in the Senate."

Approved unanimously, with the understanding that it would be in the Chairman's discretion whether the memorandum would be delivered or the information contained therein would be given in conferences with Chairman Maybank and Congressman Spence, Chairman of the House Banking and Currency Committee.

Letter to the Honorable Burnet R. Maybank, Chairman of the Committee on Banking and Currency, United States Senate, reading as follows:

"This refers to Mr. McMurray's letter of April 22, 1949, regarding S.1664. Subject to certain conditions, the bill would exempt securities issued by the International Bank for Reconstruction and Development from the provisions of section 5136 of the Revised Statutes (section 8 of the National Bank Act, as amended; U. S. C., title 12, sec. 24) which relate to dealings in securities by national banks and State member banks of the Federal Reserve System, and it also would exempt such securities from certain provisions of the Securities Act of 1933 and the Securities Exchange Act of 1934.

"The provisions of the bill follow a recommendation made to the President of the Senate and the Speaker of the House by the Secretary of the Treasury, as Chairman of the National Advisory Council on International Monetary and Financial Problems. The Chairman of this Board is, as you know, a member of the Council.

"The Council expressed the view that, considering the character of the Bank as an international institution, the substantial participation of the United States in its activities and direction, and the nature of its securities, it would appear desirable that the Bank have available to

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"it avenues of distribution for its securities broader than those permitted for offerings of purely private securities. Accordingly, the Council recommended enactment of the present bill.

"The Board is in entire accord with the conclusion of the National Advisory Council on the matter. Because of the participation of the United States Government in the International Bank and this Government's special interest in the institution, the Board feels that the proposed exemptions for the Bank's securities are logical additions to the existing exemptions and that they do not represent any departure from existing principles. The Board believes that the proposed changes are desirable and it favors the enactment of S. 1664 for that purpose."

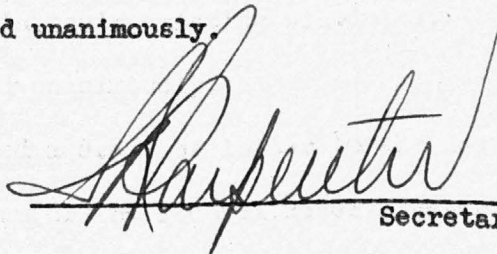
Approved unanimously, together with similar letter to Chairman Spence of the House Committee on Banking and Currency.

Letter to the General Secretariat of the International Criminal Police Commission, 11 Rue de Saussaies, Paris, France, reading as follows:

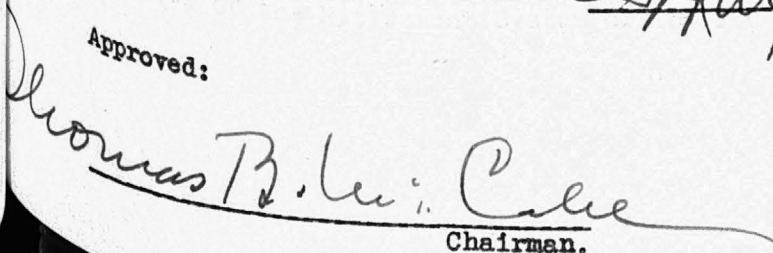
"We have received your letter of March 14 regarding the forthcoming conference in The Hague of organizations concerned with counterfeits and forgeries, and inviting us to contribute various material for an International Museum of Forgeries.

"We thank you for your courtesy in inviting us to participate in the meeting and to furnish material for the Museum. However, the matter is one supervised in this country by the United States Treasury Department, and their activities cover our interests in the field. No doubt you have addressed a request also to that Department."

Approved unanimously.


Secretary.

Approved:


Chairman.