

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, July 1, 1949. The Board met in the Board Room at 10:35 a.m.

PRESENT: Mr. McCabe, Chairman
Mr. Eccles
Mr. Szymczak
Mr. Evans
Mr. Vardaman
Mr. Clayton

Mr. Sherman, Assistant Secretary
Mr. Hammond, Assistant Secretary
Mr. Morrill, Special Adviser
Mr. Thurston, Assistant to the Board
Mr. Riefler, Assistant to the Chairman
Mr. Vest, General Counsel
Mr. Young, Associate Director, Division of Research and Statistics

There were presented telegrams to the Federal Reserve Banks of Boston, Atlanta, Chicago, St. Louis, Kansas City, and San Francisco stating that the Board approves the establishment without change by the Federal Reserve Bank of San Francisco on June 28, by the Federal Reserve Bank of St. Louis on June 29, by the Federal Reserve Banks of Atlanta, Chicago, and Kansas City on June 30, 1949, and by the Federal Reserve Bank of Boston today of the rates of discount and purchase in their existing schedules.

Approved unanimously.

In connection with the approval of discount rates, there was a discussion of the question whether in view of the action taken by

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the Federal Open Market Committee on June 28, 1949, with respect to credit policy, there should be a change at this time in discount rates of the Federal Reserve Banks, and it was the consensus that there should be further observation of the effect of the change in open market policy and of the release of some \$800 million in reserves of member banks as a result of lapse of supplemental reserve requirements before steps were initiated to bring about a reduction in discount rates.

Mr. Evans presented a memorandum from himself dated July 1, 1949, reading as follows:

"I recommend that the Board authorize entering into an arrangement with Encyclopaedia Britannica Films, Inc., under which they will make a film on the Federal Reserve System. The Encyclopaedia Britannica Films, Inc., is a nonprofit, educational and documentary film enterprise, wholly owned by the University of Chicago. A letter is attached setting forth the corporation's proposal.

"I suggest that the sum of \$12,500, as mentioned in the attached letter, be authorized initially for the production of the film, with an authorization for a further expenditure of \$4,500 above that amount if necessary, subject to the approval of the Board member in charge.

"I further suggest that the Board's advisory and consulting relationship to the production of this film be under the supervision of Mr. Thurston, with the understanding that he may call upon members of the Board's staff and of the staffs of the Federal Reserve Banks for any assistance he may need. I think this should be a special item under the budget of the Division of Administrative Services."

In response to a question from Mr. Clayton, Mr. Evans stated that the film to be made under the proposed arrangement would not

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duplicate or conflict with the film which the Board by its action on April 19, 1949, authorized the Federal Reserve Bank of Minneapolis to make since it was expected that the Minneapolis film would relate relatively more to operations of a Reserve Bank and would be distributed directly by the Minneapolis Bank, whereas it was expected that the Encyclopaedia Britannica film would deal largely with the central banking function of the Federal Reserve System and would be distributed by Encyclopaedia Britannica Films, Inc., at its own expense to educational institutions and adult audiences throughout the United States and other countries.

Mr. Thurston stated that the Britannica's staff was familiar with the Minneapolis film and had offered its technical assistance to the Bank in its preparation.

Thereupon, upon motion by Mr. Evans, the recommendations contained in his memorandum were approved unanimously, with the understanding that the budget of the Division of Administrative Services would be increased by the amount paid by the Board toward the cost of the film.

Mr. Szymczak referred to the meeting yesterday afternoon with Mr. Winthrop W. Aldrich, Chairman of the Chase Bank, New York, regarding the informal proposal of that bank to purchase the American Express Company and suggested that Mr. Aldrich be informed that the Board did not feel that the proposed transaction was legally possible.

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There followed a discussion of the information presented by Mr. Aldrich, during which reference was also made to memoranda from the Legal Division dated May 9 and June 24, 1949, and to the material supplied in the letter of June 23 from Mr. Southall, Counsel for the Chase Bank. It was the consensus that it was not apparent that the domestic business of American Express Company was incidental to its foreign operations, and it was suggested that Mr. Szymczak call Mr. Aldrich on the telephone and say to him that after careful consideration of the information supplied and the Board's interpretation of the law, the Board could not see its way clear to approving the program for acquisition of American Express Company by the Chase Bank, but if the Bank had additional facts the Board would be glad to have them submitted through the Federal Reserve Bank of New York.

This suggestion was approved un-
animously.

There was then presented a draft of letter prepared in response to a request from Senator McClellan dated June 18, 1949, for a report on S. 2073, a bill making certain changes in laws applicable to regulatory agencies of the Government which would provide, among other things, that (1) in the future, appointments to fill vacancies in the membership of the Board would be made so that as soon as possible not more than four members of the Board would be members of the same political party and (2) functions of the Board with respect

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to its internal management, its relations with Congress, and the execution of its policies would be performed on behalf of the Board by the Chairman and he would have exclusive and final authority on behalf of the Board in respect to such functions. The draft letter suggested that the most desirable way to approach the subject matter treated by S. 2073 would be to include consideration of it in an over-all study by a national monetary commission of what changes were necessary or desirable in the banking and monetary system of the United States.

Mr. Vardaman suggested that the proposed report be revised so as to show that the Board was opposed to enactment of the provisions contained in the bill.

Mr. Vest stated that he understood the bill was not likely to receive consideration at this session of Congress, and it was suggested that no reply be sent to Senator McClellan unless a follow-up request was received. No conclusion was reached, and it was understood that the matter would be considered at a meeting next week.

At this point Messrs. Riefler, Vest, and Young 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 June 30, 1949, were approved unanimously.

Memorandum dated June 29, 1949, from Mr. Young, Associate

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Director of the Division of Research and Statistics, recommending the appointment of Miss Mary B. Murphy as a clerk-stenographer in that Division on a temporary indefinite basis with basic salary at the rate of \$2,724 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.

Telegram to Mr. Rouse, Vice President of the Federal Reserve Bank of New York, reading as follows:

"Your wire June 29. Board approves the granting of further loan or loans by your Bank to Banco Central del Ecuador on the following terms and conditions:

(A) The amount to be advanced under this arrangement not to exceed \$1,700,000 in the aggregate at any one time outstanding: such loan or loans to be made up to 98 per cent of the value of gold bars held in your vaults as collateral;

(B) Each such loan or renewal thereof to run for 90 days, but no loan or renewal thereof to mature later than 180 days after the date of the first such loan and in no event later than January 31, 1950;

(C) Each such loan and any renewal thereof to bear interest from the date such loan is made or renewed until paid, at the discount rate of your Bank in effect on the date on which such loan or renewal is made.

"It is understood that the usual participation will be offered to the other Federal Reserve Banks."

Approved unanimously.

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

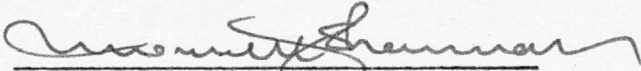
"Re your wire June 29 to Vest we have informally consulted

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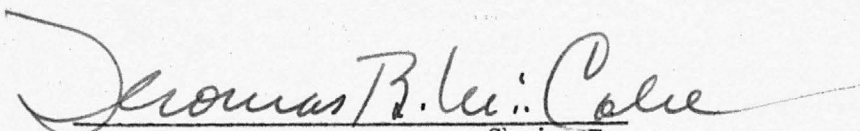
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"with a representative of Department of Army who advises that there is no objection to furnishing First National Bank in Richmond, California with copy of letter of June 20 and of attached copy of letter of April 26 mentioned in your telegram. Board likewise has no objection."

Approved unanimously.


Assistant Secretary.

Approved:


Chairman.