Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, July 26, 1949. The Board met in the Board Room at 10:30 a.m.

PRESENT: Mr. McCabe, Chairman
Mr. Szymczak

Mr. Carpenter, Secretary
Mr. Hammond, Assistant Secretary
Mr. Morrill, Special Adviser
Mr. Riefler, Assistant to the Chairman
Mr. Thomas, Director, Division of Research and Statistics
Mr. Vest, General Counsel
Mr. Leonard, Director, Division of Bank Operations
Mr. Bethea, Director, Division of Administrative Services
Mr. Nelson, Director, Division of Personnel Administration
Mr. Millard, Director, Division of Examinations
Mr. Young, Associate Director, Division of Research and Statistics
Mr. Horbett, Assistant Director, Division of Bank Operations
Mr. Myrick, Assistant Director, Division of Bank Operations
Mr. Sloan, Assistant Director, Division of Examinations
Mr. Hostrup, Assistant Director, Division of Examinations
Mr. Solomon, Assistant General Counsel
Mr. Baumann, Assistant General Counsel

Mr. Coleman, Administrative Assistant to the Chairman
Mr. Corkhum, Minutes Clerk, Office of the Secretary

Miss Burr, Messrs. Alter, Fauver, Furth, Gehman, Hersey, Hinshaw, Hirschman, Miller, Noyes, Schmidt, Tamagna, Thorne, Williams, and Youngdahl, Division of Research and Statistics
Mr. Woodlief Thomas, Director of the Division of Research and Statistics, reported at length upon his recent trip to Europe and at the end of his presentation there followed a discussion of particular subjects of interest to the members of the Board. A memorandum of Mr. Thomas' report is being prepared for the files.

At this time all members of the staff except Messrs. Carpenter, Hammond, Morrill, Riefler, Thomas, Vest, Leonard, and Young withdrew.

Mr. Szymczak referred to the Board's letter of July 11, 1949, to the Korean Minister of Finance, Mr. Kim Do Yun, to the Board's letter of July 11, 1949, to Dr. Edward Johnson, Director, Korean Division, Economic Cooperation Administration, to Dr. Johnson's reply of July 20, and to the memorandum from Mr. Tamagna dated July 25, regarding arrangements being made to comply with the request of the Korean Minister of Finance for assistance in the drafting of central bank legislation and the preparation of a currency reform. Mr. Szymczak explained that the Economic Cooperation Administration had confirmed, in principle, an arrangement under which two specialists from the Federal Reserve System would be sent to Korea, their salaries to be paid by the Federal Reserve System, and the Economic Cooperation Administration to meet their traveling and other necessary expenses. He further reported that informal arrangements had been made to have Mr. Arthur Bloomfield, Chief of the Bill and Finance Division, and Mr. John P. Jensen, Assistant Chief of the Auditing Department of the Federal Reserve Bank of New York, go to Korea.
each for a period of about six months, Mr. Bloomfield to leave about the middle of August and return about February 1950 and Mr. Jensen to leave about October and return about April 1950. This arrangement, Mr. Szymczak explained, would permit Mr. Bloomfield to initiate the basic work on banking and currency reform in advance of Mr. Jensen's work on banking reorganization and would also have the advantage of extending Federal Reserve assistance over a longer period of time.

In view of the action of the Board in approving the letter of July 11, 1949, to the Economic Cooperation Administration, the members present felt that they would be justified in informing the Federal Reserve Bank of New York by letter that the designation of Messrs. Bloomfield and Jensen had been informally approved by the Board and that if formal action were taken by the directors of the New York Bank authorizing them to make the trip, that action would be approved by the Board.

Accordingly, the following letter to the Federal Reserve Bank of New York was approved unanimously, with the understanding that the action would be brought to the attention of the absent members of the Board so that if they had any comment to make with respect to the arrangement, they would be in a position to do so:

"As you are aware, there has been informal discussion of arrangements for sending Federal Reserve representatives to Korea in response to a request from the Korean Government, seconded by the Economic Cooperation Administration, for assistance in the drafting of central bank
"legislation and the preparation of currency reform. Governor Szymczak has participated in these discussions and has reported them to the Board, including in his report the particular fact that it was planned that Messrs. Arthur Bloomfield and John P. Jensen of your Bank's staff would be the members of the mission. The proposal has been informally approved by members of the Board, and if formal action is taken by your directors authorizing Messrs. Bloomfield and Jensen to go to Korea on the mission, the action will be formally approved by the Board of Governors.

"Copies of our correspondence with the Korean Minister of Finance and with Dr. Edgar A. J. Johnson, Director, Korean Division, Economic Cooperation Administration, were sent Mr. Moore in our letter of July 25. From this correspondence you will see that the Economic Cooperation Administration has approved an arrangement whereby it will meet the traveling and other expenses incurred by the mission. Assuming that you will wish to make arrangements directly with the Economic Cooperation Administration and that you will wish to know of the similar arrangement made when Mr. Tamagna of the Board's staff went to Korea last spring, we enclose copies of our correspondence with the Economic Cooperation Administration at that time and of our letter to Mr. Tamagna authorizing his travel. These arrangements were, in brief, that the Board continued Mr. Tamagna on its pay roll, paid all of his travel expenses, including its standard per diem of $8 (which would now be $9), and upon the completion of the mission, billed the Economic Cooperation Administration for all the expenses, not including Mr. Tamagna's salary. Any modifications of this arrangement that suit your convenience can doubtless be worked out directly with the Economic Cooperation Administration."

Mr. Szymczak then referred to a memorandum dated July 25, 1949, from Mr. Hersey, Chief of the Far Eastern Section of the Division of Research and Statistics, regarding a request from the Government of Ceylon for an extension of the assignment to Ceylon of Mr. John Exter, an economist in the Board's Division of Research and Statistics. The memorandum stated that the Government of Ceylon had
requested an extension to December 28, 1949, of Mr. Exter's services as adviser on matters relating to the proposed establishment of a reserve bank and that the American Ambassador had added his own earnest request that Mr. Exter's stay be extended for this period on the grounds that it was important to Ceylon and to the interests of the United States in this area that Mr. Exter remain at least until the legislation had passed the Parliament. The memorandum added that because of the absence of the Finance Minister in London the legislation could not be introduced before early October.

Mr. Szymczak stated that in an effort to find some satisfactory solution of the problem thus presented, it had been discussed with the Federal Reserve Bank of New York, that the Department of the Army had requested the services of an expert to go to Japan for a period of six weeks to develop important procedures covering import licensing, exchange control, and banking operations in the field of foreign trade, and that Mr. Davis, Assistant Vice President of the Federal Reserve Bank of New York, was being considered for this mission. According to present tentative plans, Mr. Szymczak said, Mr. Davis would go to Japan as soon as possible and upon completion of his work there could proceed to Ceylon in order to relieve Mr. Exter which would make it necessary for the latter to remain in Ceylon only long enough to provide the necessary overlap
of Mr. Davis' arrival and Mr. Exter's departure. If the Board were willing to approve such an arrangement, Mr. Szymczak said, he would recommend approval of a letter to the State Department reading as follows:

"The Board has received a copy of a despatch of June 24, 1949, to the Secretary of State from Ambassador Cole in Colombo, Ceylon, transmitting and supporting a request made by the Government of Ceylon, for a six months' extension of Mr. Exter's stay in Colombo as adviser to the Minister of Finance on matters relating to the proposed establishment of a Reserve Bank.

"The Board has already indicated informally its willingness to extend Mr. Exter's stay for three months, namely to September 28, 1949; and it is highly sensible of the earnestness of the Ambassador's support of the request that Mr. Exter's stay be extended instead to December.

"We regret, however, that demands on its staff from other quarters make it impossible for the Board to accede to this request.

"Having in mind the offer made by the Board in October 1948 to undertake, if possible, to obtain from within the Federal Reserve System the services of an adviser on operations when the time approaches to set up the new bank, the Board will undertake, if requested, to make available to the Government of Ceylon the services of Mr. Norman P. Davis, an Assistant Vice-President of the Federal Reserve Bank of New York, for a period of approximately six months commencing about the latter part of September.

"The exact time of Mr. Davis' arrival in Ceylon would depend upon the completion of other assignments. The Board would wish to be sure that his arrival would precede Mr. Exter's departure by an interval long enough to permit full consultation between Mr. Davis and Mr. Exter. The Board would therefore be prepared to extend Mr. Exter's assignment, if necessary, for a brief period of not over one month from September 28, in order to assure a suitable overlap."

The letter was approved unanimously, with the understanding that if approved by Mr. Clayton upon his return to the office on July 28 and by telephone by Mr. Evans whose assignments include research matters, the letter would be sent.
Secretary's note: Following Mr. Clayton's approval of the letter upon his return to the office and approval by Mr. Evans by telephone, the letter was sent on July 29, 1949.

Chairman McCabe stated that Mr. Winthrop Aldrich, Chairman of The Chase Bank, had called on the telephone yesterday to express his appreciation of the full consideration given by the Board to the request of the Bank for permission to purchase the stock of the American Express Company. Mr. Aldrich reported, Chairman McCabe said, that the Bank had decided not to proceed with the purchase and that if he had been a member of the Board he could not have taken a different position from that taken by the Board on the questions presented by the Bank in connection with the proposed purchase.

Chairman McCabe then called attention to the statements made on the floor of the Senate by Senators Maybank and Robertson of the Senate Banking and Currency Committee as reported in the Congressional Record for July 22, 1949, that no hearings were contemplated on the bank holding company bill until the next session of Congress. He stated that Senator Robertson had expected to hold a hearing during the present session at least to afford the Board an opportunity to present its views on the bill and that it would appear from the statements in the Congressional Record that the two Senators had come to the conclusion that it would not be desirable to start the hearings until an opportunity could be afforded to hear all interested
In these circumstances, the Chairman inquired whether the members of the Board wished to press for an opportunity to present its position at this time or whether the matter should go over until after the first of the year.

The members present were in agreement that no action should be taken to press for a hearing at this time and that it would be preferable if the Board's views were presented as part of a complete hearing on the bill.

At this point Messrs. Riefler, Vest, Thomas, Young, and Leonard withdrew and the action stated with respect to each of the matters hereinafter referred to was taken by the Board:

Memorandum dated July 25, 1949, from Mr. Bethea, Director of the Division of Administrative Services, recommending that the appointment of Miss Lulu A. Sinclair, a cafeteria helper in that Division, be extended on a temporary basis for a period of one month, effective August 4, 1949, without change in her present basic salary of $2,020 per annum.

Approved unanimously.

Memorandum dated July 25, 1949, from Mr. Bethea, Director of the Division of Administrative Services, recommending increases in the basic annual salaries of the following employees in that Division, effective August 7, 1949:

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Salary Increase</th>
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<tbody>
<tr>
<td>Raymond C. Twomey</td>
<td>Supervisor, Dup. &amp; Mail</td>
<td>$4,228.80 - $4,354.20</td>
</tr>
<tr>
<td>Bruce L. Moffett</td>
<td>Operator (Dup. Dev's.)</td>
<td>2,874.48 - 2,949.72</td>
</tr>
<tr>
<td>Grace L. Thorne</td>
<td>Charwoman</td>
<td>2,284.00 - 2,350.00</td>
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Approved unanimously.

Memorandum dated July 25, 1949, from Mr. Bethea, Director of the Division of Administrative Services, recommending that the resignation of Mrs. Ethelyn B. Nelson, a stenographer in that Division, be accepted to be effective, in accordance with her request, at the close of business August 5, 1949.

Approved unanimously.

Letter to the Office of the Assessor, Sales and Use Tax Division, Government of the District of Columbia, 14th and E Streets, N.W., Washington 4, D.C., reading as follows:

"This will refer to our letter to your office dated July 21, 1949, in which it was stated that, although it is believed that the requirements of the District of Columbia Sales Tax Act are not applicable to the Board of Governors since it is an independent establishment of the Government, nevertheless in those instances in which sales are made by the Board which otherwise would be subject to the sales tax, the Board planned to collect an amount equal to the tax and pay the same over to the Collector of Taxes. There would be few such sales, but in order to cooperate fully with your office the Board planned to collect and remit an amount equal to the tax even though it would require substantial clerical work.

"As a result of informal conversations it is understood that your office is now inclined to agree that sales by this Board would not be subject to the tax. In view of this fact, and the further fact that the amount involved would be very small in any event and its collection and remission would impose disproportionate administrative burdens on this Board and your office, it would seem preferable in the circumstances that the Board not attempt to collect and remit an amount equal to the tax. Accordingly, the Board will not collect or remit such amount.

"We are writing to you at the suggestion of Mr. Harry L. Walker, Assistant Corporation Counsel, and it would be
"appreciated if you would confirm our understanding that you agree with the view that sales made by this Board are not subject to the tax."

Approved unanimously.

Memorandum dated July 26, 1949, from Mr. Hooff, Assistant Counsel, recommending that there be published in the law department of the August issue of the Federal Reserve Bulletin statements in the form attached to the memorandum with respect to the following subjects:

- Banks Dealing In Obligations Of International Bank for Reconstruction and Development.
- Housing Act of 1949
  - Bank Loans and Investments
- Margin Requirements
  - Amendments to Regulations T and U

Approved unanimously.

Approved:

[Signature]

Secretary.

[Signature]

Chairman.