

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, January 3, 1950.

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

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 December 30, 1949, were approved unanimously.

Mr. Sherman reported that the Comptroller of the Currency would issue a call on January 5, 1950, on all national banks for reports of condition as of the close of business on December 31, 1949, and that in accordance with the usual practice and the Board's letter of December 14, 1949, a call would be made on January 5 on behalf of the Board of Governors of the Federal Reserve System on all State member banks for reports of condition as of December 31, 1949.

The call to be made on behalf of the Board on January 5, 1950, was approved unanimously.

Memorandum dated December 29, 1949, from Mr. Bethea, Director of the Division of Administrative Services, recommending that the temporary appointment of Mrs. Margaret M. Harvey as an operator (key punch) in that Division be extended for an additional period of one month, with no change in her present basic salary at the rate of \$2,650 per annum, effective January 6, 1950.

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Approved unanimously.

Memorandum dated December 29, 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 January 8, 1950:

<u>Name</u>	<u>Title</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
Richard Shaker	Guard	\$2,450	\$2,530
Sarah F. Corbin	Charwoman	2,470	2,540
Everett Jones	Laborer	2,470	2,540
Fannie L. Mock	Elevator Operator	2,260	2,330
Ida C. Sutphin	Cafeteria Helper	2,120	2,190

Approved unanimously.

Letter to Mr. Smyth, Vice President of the Federal Reserve Bank of Dallas, reading as follows:

"The Board of Governors approves the payment of salary, as requested in your letter of December 22, 1949, to Mr. Douglas H. Beck at the rate of \$3,300 per annum effective February 1, 1950. It is understood that this rate of compensation exceeds the maximum of the salary grade in which Mr. Beck's current position is classified."

Approved unanimously.

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

"The Board of Governors of the Federal Reserve System under authority of the fourth paragraph of Section 16 of the Federal Reserve Act hereby establishes for the three months' period ending December 31, 1949, the rate of (1) per cent interest per annum on that amount of the Federal Reserve notes of your Bank which equals the average daily amount of its outstanding Federal Reserve notes during such

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"period less the average daily amount of gold certificates held during such period by the Federal Reserve Agent as collateral security for such notes.

"Using \$ (2) as average daily amount of outstanding notes of your Bank during fourth quarter not covered by gold certificates with Agent, payment to Treasury for last quarter of 1949 will be \$ (3). Payment should be credited to the Treasurer's General Account as Miscellaneous Receipts, Symbol 1841-Interest Collected, Section 16 Federal Reserve Act as amended. No statement being given to press with respect to this action.

	(1)	(2)	(3)
Boston	1.1448	\$993,747,976	\$2,867,482.93
New York	5.1717	856,614,899	11,166,418.77
Philadelphia	1.4179	905,147,827	3,234,894.18
Cleveland	1.4736	1,118,857,235	4,155,748.44
Richmond	1.1823	973,998,576	2,902,558.45
Atlanta	1.4860	663,454,180	2,484,990.35
Chicago	1.7439	1,549,428,392	6,810,641.97
St. Louis	1.3223	720,972,268	2,402,943.29
Minneapolis	1.4201	412,815,383	1,477,643.82
Kansas City	1.3380	662,217,523	2,233,324.06
Dallas	1.5815	479,002,028	1,909,420.19
San Francisco	3.2774	484,658,995	4,003,692.27"

Approved unanimously.

Letter to Mr. Caldwell, Federal Reserve Agent at the Federal Reserve Bank of Kansas City, reading as follows:

"In accordance with the request contained in Mr. Johns' letter of December 27, 1949, the Board of Governors approves, effective January 1, 1950, the payment of salaries to the following employees of the Federal Reserve Agent's staff at the rates indicated:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
Kenneth B. Self	Alternate Assistant Federal Reserve Agent	\$5,400
	Denver Branch	
William R. Young	Federal Reserve Agent's Representative	4,800
H. B. Fisher	Federal Reserve Agent's Representative	4,500

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<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
	<u>Oklahoma City Branch</u>	
David E. Chase	Federal Reserve Agent's Representative	\$4,800
Lee G. Cox	Federal Reserve Agent's Representative	4,740
	<u>Omaha Branch</u>	
William F. Fairley	Federal Reserve Agent's Representative	4,800
Earl O. Streeter	Federal Reserve Agent's Representative	4,620

"It is noted from Mr. Johns' letter that the salaries as shown above have been approved by the respective boards of directors with the exception of the salary proposed for Mr. Streeter. Accordingly, the Board of Governors approves the payment of salary to Mr. Streeter at the rate indicated above if the Board of Directors of the Omaha Branch fixes his salary at that rate."

Approved unanimously.

Letter to the Honorable Brent Spence, House of Representatives,
reading as follows:

"This refers to the letter dated November 7 which you received from Mr. Thomas Graham of Louisville regarding a readjustment of Federal Reserve district lines involving the State of Kentucky, and the establishment of a 'sub-bank' at Lexington. The letter states that western Kentucky is served by the Cincinnati Branch of the Federal Reserve Bank of Cleveland and the eastern part of the State by the Louisville Branch of the Federal Reserve Bank of St. Louis. Just the reverse, of course, is true as the Cincinnati Branch serves the eastern part of the State and the Louisville Branch the western part of the State.

"With respect to Mr. Graham's complaint as to the division of the State between two Federal Reserve districts, Section 2 of the Federal Reserve Act, which charged the Organization Committee with the responsibility of establishing the Federal Reserve districts, contains the provision that the districts 'shall be apportioned with due regard to the convenience and customary course of business and shall not necessarily be coterminous with any State or States'.

"The decision of the Organization Committee, which

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"placed the western part of Kentucky in the St. Louis district and the eastern portion of the State in the Cleveland district, was announced on April 10, 1914 prior to the establishment of the Federal Reserve Banks. In determining the several districts the Committee stated, among other things, that it 'endeavored to follow state lines as closely as practicable, and wherever it has been found necessary to deviate the division has been along lines which are believed to be most convenient and advantageous for the district affected.'

"Under the law the Board has authority to readjust existing Federal Reserve districts, and changes in territories have been made from time to time in the past. No set procedure has been established in connection with such changes in boundaries; generally, member banks which have sought transfer from one district to another have submitted a petition to the Board of Governors setting forth the reasons why the suggested change in district lines was deemed desirable. In acting upon any such petition the Board would, of course, consider all relevant factors and would have in mind the previously mentioned provision of the Federal Reserve Act that the districts 'shall be apportioned with due regard to the convenience and customary course of business and shall not necessarily be coterminous with any State or States.'

"A review of the Board's files indicates that about ten years ago Mr. Barry Bingham of the 'Louisville Courier Journal' and the 'Louisville Times' wrote to Senator Logan of Kentucky suggesting the desirability of transferring to the Federal Reserve district of St. Louis that portion of Kentucky assigned to the Cleveland Federal Reserve district. When the bankers in the eastern part of the State learned of this move practically every bank in the zone filed a protest with the Federal Reserve Bank of Cleveland. In support of their objections to such a proposal, the banks pointed out that the territory covered was originally laid out to serve business and banking to the best advantage; that no material change had taken place in the flow of business in the territory since the establishment of the original boundary lines and that they were satisfied with the district lines of their Federal Reserve district as drawn. The matter was not pursued any further.

"As to that part of Mr. Graham's letter suggesting the establishment of a 'sub-bank' at Lexington, it is assumed he means a branch Federal Reserve Bank. It is not entirely

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"clear whether his suggestion to place the entire State of Kentucky in one Federal Reserve district and set up a branch at Lexington contemplates the removal of the present branch from Louisville. As you know, there is also a branch Federal Reserve Bank at Cincinnati which is only a little over one hundred miles from Louisville. With Lexington being within such a short distance of these two cities the establishment of another branch at Lexington would hardly seem to be justified.

"While no definite standards have been prescribed by the Board for the determination of the necessity for establishment of a new branch, certain factors have been given consideration in this connection in the past. Among these factors have been the following: the number of banks in the territory affected; whether the establishment of the branch would afford banks in the territory quicker and more efficient service than they were already receiving from the Federal Reserve Bank head office or branch with which they were affiliated, including such services as the collection of checks and obtaining of currency; and the estimated cost of operation of the proposed branch.

"Should you have any further questions in connection with the matters about which Mr. Graham wrote you, we shall be pleased to attempt to answer them."

Approved unanimously, together
with a similar letter to the Honorable
Frank Chelf, House of Representatives.

Letter to Mr. Creighton, Chairman of the Federal Reserve Bank
of Boston, reading as follows:

"Thank you for your letter of December 27, 1949, advising of the various actions taken at the meeting of the Board of Directors held on that day.

"In accordance with the action taken with respect to the Industrial Advisory Committee the Board of Governors approves the reappointments of Messrs. Dennett, Draper, Graham, Lewis and Thompson as members of the Industrial Advisory Committee for the First Federal Reserve District to serve for terms of one year each beginning March 1, 1950."

Approved unanimously.

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Letter to Mr. Leach, President of the Federal Reserve Bank of Richmond, reading as follows:

"Reference is made to your Bank's letter of December 22, 1949, in which you advise that it appears expenses for certain functions at your head office and Charlotte Branch will exceed the 1949 estimates as follows:

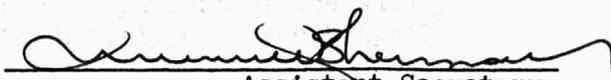
<u>Function</u>	<u>Head Office</u>	<u>Charlotte Branch</u>
Discount and Credit		\$500
Bank and Public Relations	\$6,000	
Bank Examination	6,000	

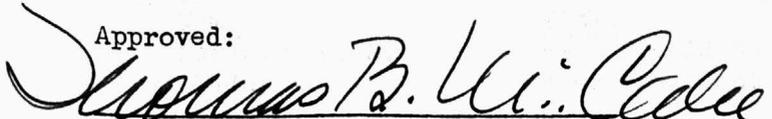
"The Board accepts the revised figures as submitted, and appropriate notations are being made in the Board's records."

Approved unanimously.

Memorandum dated December 29, 1949, from Mr. Young, Director of the Division of Research and Statistics, recommending that a reprint containing all the reports on the 1949 Survey of Consumer Finances be issued after the appearance of the final report in the January 1950 Federal Reserve Bulletin, and that the combined reprint be prepared by the Division of Administrative Services if work schedules permit or that it be printed commercially from negatives made by the Division of Administrative Services with an approximate cost of \$750 for 3,000 copies.

Approved unanimously.


Assistant Secretary.

Approved:

Chairman.