Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, January 5, 1950.

PRESENT: Mr. Szymczak, Chairman pro tem.  
Mr. Draper  
Mr. Vardaman  
Mr. Carpenter, Secretary  
Mr. Sherman, Assistant Secretary  
Mr. Morrill, Special Adviser  
Mr. Thurston, Assistant to the Board

Memorandum dated December 29, 1949, from Mr. Young, Director of the Division of Research and Statistics, recommending an increase in the basic salary of Mrs. Alice R. Williams, a clerk in that Division, from $2,730 to $2,810 per annum, effective January 8, 1950.

Approved unanimously.

Memorandum dated January 5, 1950, from Mr. Bethea, Director of the Division of Administrative Services, recommending that the resignation of Mrs. Margaret M. Harvey, an operator (key punch) in that Division, be accepted to be effective, in accordance with her request, at the close of business January 5, 1950.

Approved unanimously.

Letter to The First National Bank of Rochester, Rochester, Minnesota, reading as follows:

"The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers, and grants you authority to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, or in any other fiduciary capacity in which State banks, trust companies or other corporations which come into competition with
"National banks are permitted to act under the laws of the State of Minnesota, the exercise of all such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

"This letter will be your authority to exercise the fiduciary powers granted by the Board pending the preparation of a formal certificate covering such authorization, which will be forwarded to you in due course."

Approved unanimously, for transmission through the Federal Reserve Bank of Minneapolis.

Telegram to Mr. Wilbur, Federal Reserve Agent at the Federal Reserve Bank of San Francisco, authorizing him to issue limited voting permits under the provisions of Section 5144 of the Revised Statutes of the United States, to the "Escrow & Loan Service Company, Incorporated", Pasadena, California, entitling such organization to vote the stock which it owns or controls of the "Pasadena-First National Bank", Pasadena, California, and the "Valley National Bank of Alhambra", Alhambra, California, at any time prior to April 1, 1950, to elect directors of such banks at the annual meetings of shareholders or any adjournments thereof, and to act thereat upon such matters of a routine nature as are ordinarily acted upon at the annual meetings of such banks.

Approved unanimously.

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

"This will acknowledge receipt of your letter of
December 12, 1949, regarding certain questions growing out of the possibility of Federal Reserve Banks collecting checks drawn on Federal Home Loan Banks. We note that a copy of your letter has been sent to the President of each Federal Reserve Bank, with the thought that the subject may be studied and perhaps discussed at a future conference of the Presidents with the Board.

The Board agrees that it is desirable that the subject be considered in the manner you suggest, particularly if there should be any further indications that the Reserve Banks may be expected to perform the functions in question for the Home Loan Banks. We have given some thought to the question of taking this matter up with the Federal Home Loan Bank Board but it seems to us that the matter has not reached a point where this would be desirable. However, if you should feel differently as to this, please advise us. In the meantime, it will be appreciated if you will keep us informed as to any further developments in this matter and if any additional information should come to us, we will, of course, let you know."

Approved unanimously.

Letter to Dr. E. A. Goldenweiser, Institute for Advanced Study,
Princeton, New Jersey, reading as follows:

"After you called the other day and asked about the question that arose in 1919 regarding the relative authority of the Board and the Reserve Banks over discount rates, I asked Mr. Hammond to look into the matter. The general credit problem that confronted the System in the fall of 1919 is described, you will recall, in the Board's annual report for that year, particularly on pages 3 and 4. The general situation was thought to call for an advance of discount rates, and some measures in that direction had already been taken. The Treasury, however, Carter Glass then being Secretary and Mr. Leffingwell Assistant Secretary, was engaged in financing operations, and rate advances were held up for a period until the financing should be out of the way. New York, especially, was reluctant to fall in line but wanted rates advanced at once, and in connection with a question that arose incidentally respecting authority over rates Mr. Glass early in December asked for an opinion from the Attorney General, which was given him on December 9, 1919. Later in December, after the Treasury's program had
"progressed satisfactorily, the program of advances was resumed, rates on Governments being increased, and in January the discount rates on commercial paper were also increased generally.

"Later, in 1927 and 1929, when the Chicago and New York controversies arose, the opinion rendered by the Attorney General seems to have got more emphasis than it had in 1919, when it was apparently regarded as confirmation of what was generally believed anyway. In 1919, I should say, the question was mainly one of what to do rather than who could do it.

"No doubt you remember that the subject is referred to in the Hearings before the Joint Commission of Agricultural Inquiry, 1921, but again as a matter of policy rather than power.

"I do not understand that your request covered the issues raised in 1927 and 1929, but you will recall that these were discussed in an article by Dr. Miller in the American Economic Review, September 1935, pages 442-458. This article comprised the greater part of an earlier statement by Dr. Miller entitled 'The Banking Bill Considered in the Light of 1927-1929', which was released to the press for publication June 24, 1935."

Approved unanimously.

[Signature]

Secretary.

Approved:

[Signature]

Chairman pro tem.