

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, January 23, 1950.

PRESENT: Mr. Eccles, Chairman pro tem.
Mr. Szymczak
Mr. Draper

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Morrill, Special Adviser
Mr. Thurston, Assistant to the Board

Letter prepared in accordance with the discussion at the meeting on January 13, 1950, to the Honorable Frank Pace, Jr., Director, Bureau of the Budget, reading as follows:

"Enclosed herewith is a draft bill to amend section 10 of the Federal Reserve Act which the Board proposes to recommend to Congress. The purpose of this bill is to modify the existing limitations upon the cost of buildings at branches of the Federal Reserve Banks.

"There is also enclosed a proposed transmittal letter relating to the need for this legislation. The proposed bill is in accord with the Board's letter to you of November 25, 1949, regarding the legislative program.

"Advice as to the relationship of this proposal to the program of the President will be appreciated."

Approved unanimously.

Letter prepared pursuant to the discussions at the meetings on January 10 and 13, 1950, to the Honorable John Snyder, Secretary of the Treasury, reading as follows:

"You will recall that we recently discussed the fact that the authority of the Federal Reserve Banks to purchase securities directly from the Treasury, which is limited in any event to a total of \$5,000,000,000 held at any one time, will expire on June 30, 1950, unless it is extended by Congress.

"As the Board sees it, the primary purpose of this authority is to afford the Treasury a source from which it may obtain funds to meet temporary contingencies. This results in a saving to the taxpayers by making it

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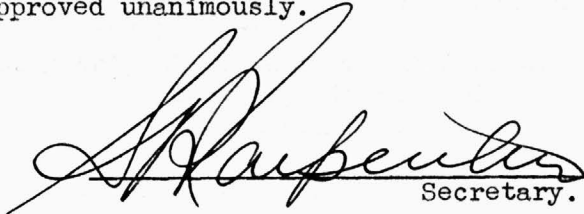
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"possible for the Treasury to operate with a smaller cash balance than might otherwise be necessary. A secondary purpose is to provide a flexible method of easing the money market for occasional brief periods of heavy drain, as for example, around tax payment dates. As you know, the authority is only used occasionally and in relatively small amounts.

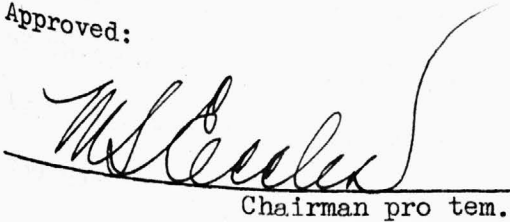
"The subject is naturally of concern to the Treasury, and I understand from our conversation that you plan to propose that the authority be extended.

"The Board feels that an extension of the authority is definitely in the public interest, and it will be glad to express its agreement with your recommendation for the extension."

Approved unanimously.


Secretary.

Approved:


Chairman pro tem.