Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, January 31, 1950. The Board met in the Board Room at 10:40 a.m.

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

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Morrill, Special Adviser
Mr. Thurston, Assistant to the Board
Mr. Thomas, Economic Adviser
Mr. Leonard, Director, Division of Bank Operations
Mr. Vest, General Counsel
Mr. Nelson, Director, Division of Personnel Administration
Mr. Young, Director, Division of Research and Statistics
Mr. Horbett, Assistant Director, Division of Bank Operations
Mr. Youngdahl, Chief, Government Finance Section, Division of Research and Statistics

Mr. Thomas reviewed open market developments during the past week and discussed prospective changes in the supply of reserve funds in the market during the next several weeks.

Mr. Solomon, Assistant General Counsel, joined the meeting at this point.

Chairman McCabe referred to a discussion at the meeting on June 7, 1949, at which time he reported to the Board a telephone call from Mr. David B. Scoll, Attorney with Scoll and Longcope of New York City, who had been asked to serve as counsel for the Joint Committee on the Economic Report in connection with hearings on the question of
equity financing, and to the letter to Senator O'Mahoney, Chairman of
the Committee, dated July 11, 1949, indicating that the Board and its
staff would be interested in the Committee's investigations into the
subject and would be pleased to supply such technical assistance as
it could appropriately provide. Chairman McCabe stated that Mr. Scoll
had discussed the matter with Mr. Young and other members of the staff
from time to time and that he (Mr. Scoll) had prepared a tentative
draft of a bill for Senator O'Mahoney to assist in providing equity
capital to small business concerns.

At Chairman McCabe's request, Mr. Young reviewed the principal
provisions of the tentative draft of bill. There was an informal dis-
cussion of the proposal and a comparison of its provisions with those
contained in the bill S. 408 introduced in the 80th Congress to assist
in the financing of business enterprises, particularly small businesses,
on a more effective basis than now permitted under section 13(b) of
the Federal Reserve Act. During the discussion it was brought out
that the bill had not yet been introduced into Congress by Senator
O'Mahoney, that the tentative draft had not been submitted to the Board
for its consideration, and that, therefore, the Board was not asked
for an expression of its views on the proposal.

It was the consensus that if Senator O'Mahoney should introduce
the bill, inquiries as to the Board's views should be answered by the
statement that the Board had not initiated the legislation and that
it had not had an opportunity to consider the proposal, but that it
would be interested in the legislation.
Mr. Solomon withdrew from the meeting at this time and Messrs. Noyes, Assistant to Director of Division of Research and Statistics, and Paul Anderson, an economist in the Division of Research and Statistics, joined the meeting.

Before this meeting there had been circulated among the members of the Board a memorandum from Mr. Young dated January 25, 1950, with respect to a suggested plan to modernize the legal reserve requirements of commercial banks. It had been prepared in accordance with the action at the meeting on November 23, 1949, with the understanding that when in a form satisfactory to the Board it would be sent to the Federal Advisory Council as a basis for discussion at the meeting of the Council with the Board on February 21, 1950.

The memorandum outlined a plan which would supplant the present system of reserve requirements which involves a three-way classification of banks based on the city in which they are located, with a new system based on categories of deposits -- interbank, other demand, and time. It would also permit vault cash and a portion of balances with correspondent banks to be counted as required reserves and could be applied to member banks alone or to all insured or all commercial banks.

The memorandum was accompanied by tables showing the reserve adjustments indicated by test percentages in making a transition to the plan, and during the discussion at this meeting Mr. Young presented additional information as to how another set of test percentages would affect the reserves required for individual banks. There was also a
discussion of what limitations should be provided in legislation on the authority of the Board to change reserve requirements under the plan and whether the plan initially should be applied to member banks only or to all insured or commercial banks.

At the conclusion of the discussion, it was understood that Mr. Young would revise the memorandum in the light of the discussion at this meeting and submit it for further consideration of the Board at a meeting during the week beginning February 6, 1950.

Messrs. Noyes, Youngdahl, and Anderson withdrew from the meeting at this point.

There was then presented a letter from Mr. Sproul, President of the Federal Reserve Bank of New York dated January 23, 1950, with respect to a proposed visit by him to Europe during May and June of this year.

The letter was discussed briefly and it was understood that Mr. Szymczak would prepare a draft of reply for consideration at the meeting on Friday, February 3, 1950.

At this point Messrs. Thomas, Leonard, Vest, Nelson, Young, and Horbett 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 January 30, 1950, were approved unanimously.

Memoranda from the heads of the divisions indicated below, recommending appointments to the staff in those divisions, effective
1/31/50

as of the dates upon which the appointees enter upon the performance
of their duties after having passed the usual physical examination:

<table>
<thead>
<tr>
<th>Date of</th>
<th>Name</th>
<th>Title</th>
<th>Salary</th>
<th>Duration of Appointment</th>
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</thead>
<tbody>
<tr>
<td>1/27/50</td>
<td>Mrs. Wanda H. Thompson</td>
<td>Operator (key punch)</td>
<td>$2,650</td>
<td>Temporary</td>
</tr>
<tr>
<td>1/30/50</td>
<td>Miss Minnie Karras</td>
<td>Page</td>
<td>2,200</td>
<td>Indefinite</td>
</tr>
<tr>
<td>1/24/50</td>
<td>Miss Alice C. Godard</td>
<td>Clerk-Stenographer</td>
<td>2,650</td>
<td>Permanent - Six months</td>
</tr>
</tbody>
</table>

Approved unanimously.

Memorandum dated January 20, 1950, from Mr. Young, Director
of the Division of Research and Statistics, recommending the appoint-
ment of William B. Gates, Jr. as an economist in that Division, with
basic salary at the rate of $6,400 per annum, effective as of the date
upon which he enters upon the performance of his duties after having
passed the usual physical examination.

Approved unanimously.

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

"For the reasons outlined in your letter of January 26,
1950, the Board of Governors approves the payment of salary
to Edmund J. McMullen, Credit Assistant, at the rate of
$4,621 per annum beginning February 1, 1950. It is under-
stood that this amount is in excess of the maximum of the
grade in which the position is classified."

Approved unanimously.

Letter to Mr. Weigel, Secretary and Assistant Vice President
of the Federal Reserve Bank of St. Louis, reading as follows:
"The Board of Governors approves the payment of salary to Harold B. Kline at the rate of $8,500 per annum for the period January 23, 1950, through May 31, 1950. This rate, according to your letter of January 23, 1950, is the rate fixed by the board of directors on January 12, 1950. It is noted that effective February 1, 1950, Mr. Kline will be an officer of the Bank with the title of Counsel."

Approved unanimously.

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

"Reference is made to your letter of January 12, 1950, submitting the application of the Rochester State Bank, Rochester, Illinois, for permission to exercise fiduciary powers. In view of the Reserve Bank's recommendation and the information submitted, the Board of Governors of the Federal Reserve System grants the applicant permission, under the provisions of its condition of membership numbered 1, to exercise the fiduciary powers now or hereafter authorized under the terms of its charter and the laws of the State of Illinois. You are requested to advise the Rochester State Bank, Rochester, Illinois, of the Board's action."

Approved unanimously.

Letter to The Honorable, The Comptroller of the Currency, reading as follows:

"It is respectfully requested that you place an order with the Bureau of Engraving and Printing supplementing the order of June 20, 1949, for printing Federal Reserve notes of the Federal Reserve Bank of St. Louis in the amount and denomination stated below:

<table>
<thead>
<tr>
<th>Denomination</th>
<th>Number of sheets</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>$100</td>
<td>15,000</td>
<td>$18,000,000</td>
</tr>
</tbody>
</table>

Approved unanimously."
1/31/50

Approved:

George B. Le: Caleb
Chairman.