

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, February 24, 1950. The Board met in the Board Room at 10:40 a.m.

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

Mr. Carpenter, Secretary  
Mr. Sherman, Assistant Secretary  
Mr. Kenyon, Assistant Secretary  
Mr. Morrill, Special Adviser  
Mr. Thurston, Assistant to the Board  
Mr. Riefler, Assistant to the Chairman  
Mr. Vest, General Counsel  
Mr. Millard, Director, Division of  
Examinations  
Mr. Young, Director, Division of  
Research and Statistics  
Mr. Baumann, Assistant General Counsel

Chairman McCabe stated that Senator Robertson invited him to lunch on Wednesday, February 22, 1950, and that in the course of their conversation informed him that he would start hearings on the bank holding company bill, S. 2318, on Wednesday, March 1, that he would like to have Chairman McCabe as the first witness, and that he planned to call witnesses at the rate of three a day on March 1, 2, and 3, following which there would be a recess and hearings would be resumed later in March. Chairman McCabe stated that he sent a telegram to interested persons on Thursday morning, February 23, informing them of the hearings, the telegram going to Harold V. Amberg, First National Bank of Chicago, Chicago, Illinois, Edward E. Brown, First National

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Bank of Chicago, Chicago, Illinois, Ben DuBois, Secretary of the Independent Bankers Association, Sauk Centre, Minnesota, Harry Harding, President of the Independent Bankers Association of Twelfth Federal Reserve District, First National Bank, Pleasanton, California, Maurice C. Sparling, President of the National Association of Supervisors of State Banks, San Francisco, California, F. Raymond Peterson, President of the American Bankers Association, First National Bank & Trust Company, Paterson, New Jersey, and J. C. Thomson, President of the Northwest Bancorporation, Minneapolis, Minnesota.

Chairman McCabe went on to say that late yesterday afternoon he discussed with Mr. Staats of the Bureau of the Budget various aspects of the proposed legislation, stating that he felt it would be desirable if Mr. Staats could ascertain whether it was in accordance with the President's legislative program before the hearings commenced. Chairman McCabe then said that Mr. Vest had prepared a draft of statement to be made by him before the committee on March 1 and that copies would be furnished to the Board for comment as soon as possible.

Chairman McCabe added that in talking with Senator Robertson he brought up the question of proposed legislation with respect to increasing by \$15 million the authority provided in section 10 of the Federal Reserve Act for construction of buildings of Federal Reserve Bank branches, that Senator Robertson said he would introduce a bill

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immediately if a draft could be sent to him, and that this was done on Thursday, February 23, the bill being identified as S. 3105.

Chairman McCabe added that he expressed the view to Senator Robertson that there was no need for hearings on this legislation and that the Senator agreed with this view.

Chairman McCabe commented further that he also discussed with Senator Robertson the status of legislation with respect to capital requirements of banks for admission to membership in the System (S. 2494 and H.R. 5749) and that Senator Robertson said he would hold hearings on the measure as soon as possible and would talk with Senator Maybank to find out when they could be started in the light of the scheduled hearing on the bank holding company legislation.

There were presented telegrams to the Federal Reserve Banks of Boston, New York, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, Dallas, and San Francisco stating that the Board approves the establishment without change by the Federal Reserve Bank of San Francisco on February 21, by the Federal Reserve Banks of New York, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, and Dallas on February 23, 1950, and by the Federal Reserve Bank of Boston today of the rates of discount and purchase in their existing schedules.

Approved unanimously.

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There was then presented a draft of telegram to Mr. Slade, Vice President of the Federal Reserve Bank of San Francisco, with reference to an application by American Trust Company, San Francisco, California for permission to establish and operate a branch in Woodland, California, it being understood that the bank would purchase the assets and assume the deposit and trust liabilities of Bank of Woodland National Association and Yolo County Savings Bank. Mr. Carpenter stated that the matter was before the Board because of the low capital ratio of American Trust Company and because of the possible relationship which the granting of permission to establish the branch might have to the Clayton Act proceeding against Transamerica Corporation, especially in the light of the Board's decision not to approve applications made in 1948 by Bank of America N.T. & S.A. for permission to establish three branches in Germany because of its low capital ratio.

During the discussion that followed, Mr. Millard stated that of the 100 largest banks in the United States the lowest ratio of capital to risk assets was that of Valley National Bank of Phoenix, Arizona, the next lowest that of American Trust Company of San Francisco, and the third lowest that of Bank of America National Trust and Savings Association. It was also stated that the Bank of Woodland and its affiliate, Yolo County Savings Bank, were being sold because of the age of the owners, that four San Francisco banks had been in-

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vited to bid for the banks, and that the American Trust Company was the high bidder.

Mr. Millard stated that when Mr. Maurice C. Sparling, superintendent of Banks of California, was in his office last week he mentioned this application to him and that Mr. Sparling responded that he was aware of the low capital ratio of American Trust Company but that the Woodland banks were up for sale and the application of American Trust Company for permission to establish a branch had been approved by the State Banking Department in view of the plan of American Trust Company to increase its capital and in the light of other circumstances such as the alternatives which might involve sale of the banks to Transamerica owned institutions. Mr. Millard added that American Trust Company had indicated that it contemplated the sale of additional capital stock which would increase its capital by approximately \$4 million during this year.

Mr. Eccles stated that he did not feel that the Board should approve the proposed branch unless American Trust Company made a firm commitment to increase its capital within the next six months.

Mr. Vest stated that although there would be no objection to including such a provision in a telegram or letter approving the establishment of the branch, such a condition would not be legally enforceable and therefore was of questionable value.



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This suggestion and various alternatives were discussed and it was agreed that Messrs. Vest and Carpenter would revise the telegram to Mr. Slade along the lines of the discussion and submit it for the further consideration of the Board.

Mr. Baumann withdrew from the meeting at this point.

There was then presented a draft of proposed letter to Senator Maybank, Chairman of the Senate Banking and Currency Committee, reading as follows:

"This is in response to the request of your Committee contained in Mr. McMurray's letter of February 6, 1950, for an expression of the Board's views as to the merits of the bill S. 2943.

"Under this bill, there would be created in the Executive Office of the President, the office of a Small Business Coordinator who would be appointed by the President and be assisted by a staff of deputies, experts and other employees. The Coordinator would be directed to assist the President in coordinating the activities of all agencies of the Government in furtherance of the interests of independent small business concerns and for that purpose to consult with various interested groups and to utilize the services of Federal, State and other agencies. Among other things, he would be authorized to develop a statutory criterion as to what constitutes a 'small business enterprise'; to supervise the awarding of bids by Government agencies in order that such enterprises may receive their fair share of such awards; and to study and recommend appropriate legislation, including steps to provide more liberal terms through the Reconstruction Finance Corporation, to adapt section 13b of the Federal Reserve Act to the credit needs of such enterprises, to adjust the laws regulating securities to the problems of such enterprises, and to revamp the Federal income tax structure so as to encourage the growth of small business.

"The Board of Governors is in sympathy with the general objective of furthering the interests and development of

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"small businesses and it recognizes the desirability of giving careful study to the various problems affecting small business concerns.

"Of special interest to the Board are those problems which relate to the financing of small business enterprises and it is noted that this bill would require the Coordinator to study and recommend legislation to provide additional facilities for this purpose. The Board has some doubt whether it is necessary to set up a new and permanent agency of the Government to consider what changes in the law are necessary at this time in order to meet the credit and capital requirements of small business enterprises. It is believed that the study of specific proposals having this end in view, as well as proposals dealing with other problems of small business, may effectively be undertaken by the appropriate committees of Congress with such assistance as may be needed from existing agencies of the Government. There are, as you know, a number of agencies which are constantly engaged in considering the various problems of small business within their respective fields, such as, for example, the Department of Commerce with respect to the furnishing of technological and other assistance to business.

"If Congress should decide that there is a need for the establishment of a Small Business Coordinator and should enact legislation along the lines of S. 2943, we wish to assure your Committee that the Board would be glad to lend every assistance to the Coordinator that might be desired and to cooperate with him to the fullest extent possible.

"The Board is submitting this report on S. 2943 at this time because it is understood that hearings on this bill will be held at an early date. In addition, the Board is giving study to other legislative proposals for the financing of small business enterprises with respect to which it has received requests for reports from your Committee and it expects to submit its views with respect to these proposals as soon as possible."

Approved unanimously for  
transmission to the Bureau of the  
Budget, for advice as to the re-  
lationship of the proposed report  
to the President's program.

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Mr. Thomas, Economic Adviser to the Board, joined the meeting at this time.

Chairman McCabe suggested that, pending the appointment of a new member of the Board, Messrs. Szymczak and Draper continue to serve as members of the Personnel Committee.

Chairman McCabe's suggestion was approved unanimously.

Mr. Ramsey Wood, Economist, Division of Research and Statistics, joined the meeting at this point.

Chairman McCabe referred to the request made by the Senate Banking and Currency Committee when he testified on S. 2246, a bill to provide housing for the middle income group, on February 16, 1950, that he submit a supplementary statement showing the total amount of loans, grants, and contingent liabilities which the Federal Government had been authorized to commit itself to on account of housing and related programs and that he state whether the Board approved the added authorizations of funds under Titles I and II of the bill. He added that inasmuch as the bill was reported out by the Committee yesterday with substantial changes in the method for providing funds for cooperative housing and with material reductions in the amounts that would be authorized, he did not know whether the statement was still desired but that the staff had prepared one for consideration by the Board. At the Chairman's request, Mr. Carpenter then read a draft of statement.



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The draft was discussed and several suggestions for change were made, with the understanding that when it was in a form satisfactory to Chairman McCabe, he was authorized to send it if the Committee still desired it.

At this point all of the members of the staff with the exception of Messrs. Carpenter, Sherman, and Kenyon 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 February 23, 1950, were approved unanimously.

Memorandum dated February 20, 1950, from Mr. Young, Director of the Division of Research and Statistics, recommending an increase in the basic salary of Mrs. Ileen C. Shepherd, a clerk in that Division, from \$3,130 to \$3,275 per annum, effective March 5, 1950.

Approved unanimously.

Memorandum dated February 23, 1950, from Mr. Young, Director of the Division of Research and Statistics, recommending the appointment of Miss Marian Elizabeth Gochenour, as a clerk in that Division, on a temporary indefinite basis, with basic salary at the rate of \$2,450 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed the usual physical examination.

Approved unanimously.

Memorandum dated February 23, 1950, from Mr. Young, Director

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of the Division of Research and Statistics, recommending that the Board authorize Ramsay Wood and Saul Klamman, economists in the Division of Research and Statistics, to attend meetings of the Middle Income Housing Conference to be held in Washington, D. C. on February 23 and 24 including banquet, and that reimbursement be made to Mr. Wood and Mr. Klamman for payments of \$2.00 for registration fee and \$7.00 for the banquet charge for each of them.

Approved unanimously.

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

"Your wire February 23. Board approves the opening and maintenance of an account on your books in the name of the Banco Central de Costa Rica subject to the usual terms and conditions upon which your Bank maintains accounts for foreign central banks and governments. It is understood that you will in due course offer participation in this account to the other Federal Reserve Banks."

Approved unanimously.

Letter to The First National Bank of Clearwater, Clearwater, Florida, 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, committee of estates of lunatics, 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 Florida, the exercise of all

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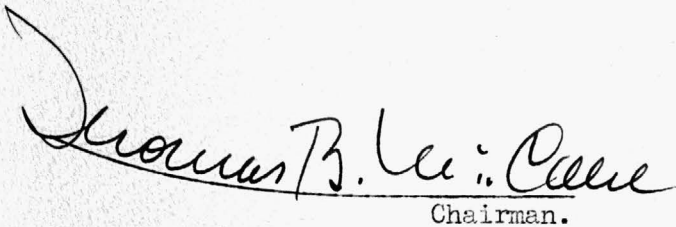
"such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

"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 Federal  
Reserve Bank of Atlanta.

  
Secretary.

Approved:

  
Chairman.