

A meeting of the Board of Governors of the Federal Reserve System with the Presidents of the Federal Reserve Banks was held in the offices of the Board of Governors in Washington on Wednesday, June 14, 1950, at 11:35 a.m.

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

Mr. Carpenter, Secretary
Mr. Riefler, Assistant to the Chairman

Messrs. Erickson, Sproul, Williams, Gidney, Leach, McLarin, Young, Davis, Peyton, Leedy, Gilbert, and Earhart, Presidents of the Federal Reserve Banks of Boston, New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, Dallas, and San Francisco, respectively

Mr. Van Nice, Secretary of the Presidents' Conference

Mr. Deming, Assistant Vice President of the Federal Reserve Bank of St. Louis

In a telegram dated June 2, 1950, the Board suggested to Mr. Peyton, Chairman of the Presidents' Conference, that the topic of administration of investments of the Federal Reserve Retirement System be placed on the agenda for the joint meeting of the Presidents and the Board. Subsequently the suggestion was made that the joint meeting for the discussion of this topic be held today so that the views of the Presidents and the Board could be available for the meetings of the Board of Trustees and the Executive Committee of the Federal Reserve Retirement System which were to be held this after-

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noon. In accordance with that suggestion, this joint meeting was arranged.

Chairman McCabe stated that the Board had considered this matter at some length and that its views were substantially as follows:

While the Board appreciates the thorough study given to this matter by the subcommittee appointed to study investment management procedure, it can not escape the feeling that the benefits that would come from an investment manager, who would operate under the direction of the Investment Committee and who would have access to competent investment counsel, would bring about more effective management of System Retirement funds. However, it is understood that the findings of the subcommittee study are concurred in by the investment committee of the Retirement System and perhaps by a majority of the Presidents. In these circumstances, the Board will raise no objection to the continuation of the existing procedure until the end of the current calendar year when it is expected that, in accordance with the earlier understanding, the whole question of retirement system investment policy (as distinguished from investment procedure) is to be reviewed.

It is the experience of members of the Board that investment counsel are much more alert than corporate trustees to changes in economic conditions and trends which make changes in security holdings advisable and that they are in a position to increase income without departing from the principles that should govern the investment of funds of this kind. The Board realizes that such a procedure undoubtedly would require some additional work on the part of the investment committee but it is believed that the additional benefits which would flow from the arrangement would more than compensate for the additional work involved.

Accordingly, the Board suggests that this question be given further study and that the Retirement System between now and the last meeting of the Presidents' Conference in 1950 undertake to study the experience of retirement, endowment, and similar funds in New York, Chicago, and

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other principal cities, for the purpose of developing further information which would make it possible definitely to determine whether the Board's view in this matter is correct.

Mr. Peyton stated that the Presidents, at their separate meeting earlier this week, had discussed the matter and had agreed upon a statement for presentation to the Board, but that he would suggest that the Presidents' statement be not submitted with the understanding that prompt steps would be taken by the Retirement System to make the further study proposed by the Board of Governors.

All of the Presidents indicated agreement with Mr. Peyton's suggestion.

During an informal discussion yesterday following the meeting of the Federal Open Market Committee, Mr. Leedy stated that the Presidents at their separate meeting had prepared a statement for submission to the Board which expressed the hope that the Presidents might have the Board's aid and advice in determining the proper approach for obtaining an amendment to the bill now before the Senate to provide for Social Security coverage for the Federal Reserve Banks. He also said that it had just been learned that consideration was to be given to the bill on the floor of the Senate today and that the Presidents would appreciate it if the matter could have immediate consideration. At the conclusion of the informal discussion it was understood that Chairman McCabe would discuss the matter with Mr. Vest, General Counsel for the Board, after which

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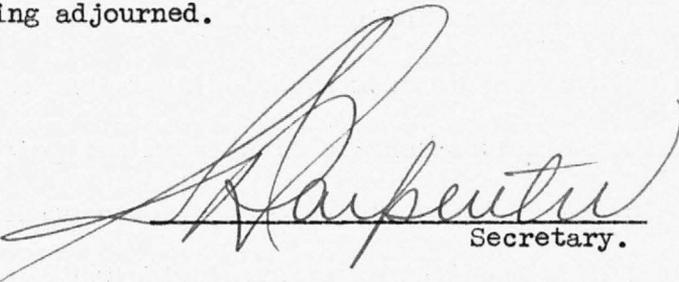
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the matter would be taken up with Senator George, Chairman of the Senate Committee on Finance.

In the course of a further discussion of the matter at this meeting, during which Mr. Cherry, Assistant Counsel for the Board, joined the meeting, Chairman McCabe stated that he had not had an opportunity to discuss the matter with Mr. Vest, but that he would take it up with Senator George immediately, and that he would recommend that the views of the Senator be followed as to whether it would be advisable to ask for an amendment on the Senate floor or in conference on the Senate and House bills.

President Leedy stated that such a procedure would be entirely satisfactory to the Presidents and Chairman McCabe and Mr. Cherry left the meeting for the purpose of talking to Senator George.

Thereupon the meeting adjourned.


Secretary.