

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, June 16, 1950. The Board met in the Special Library at 11:05 a.m.

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

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. Thomas, Economic Adviser to the Board
 Mr. Vest, General Counsel
 Mr. Nelson, Director, Division of Personnel Administration
 Mr. Young, Director, Division of Research and Statistics

Mr. Vardaman requested that these minutes show that he returned from vacation this morning but that he had been called to the Senate and was not able to attend this meeting.

There were presented telegrams to the Federal Reserve Banks of Boston, New York, Philadelphia, Atlanta, Chicago, St. Louis, and San Francisco stating that the Board approves the establishment without change by the Federal Reserve Bank of San Francisco on June 13, by the Federal Reserve Bank of St. Louis on June 14, and by the Federal Reserve Banks of New York, Philadelphia, Atlanta, and Chicago on June 15, 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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Before this meeting there had been sent to each member of the Board a memorandum from Mr. Szymczak dated June 15, 1950 with respect to System policy in providing technical assistance in the foreign area. The memorandum proposed that the staff be instructed to take into account the procedure outlined in a memorandum prepared by the staff under date of February 28, 1950 in reviewing for recommendation to the Board requests for technical assistance in the foreign area.

In commenting upon the memoranda, Mr. Szymczak stated that, pursuant to the request of the Board on September 27, 1949, the Board's staff had studied the question of a procedure which might be followed in considering requests for assistance in the foreign area, that a draft of the staff memorandum referred to above had been sent to the Federal Reserve Banks for comment, that a number of constructive suggestions had been received from the Reserve Banks which had been incorporated in the proposed procedure, and that the principal question raised was a suggestion by Mr. Sproul, President of the Federal Reserve Bank of New York, that the memorandum be changed to eliminate any reference to Board "approval" of foreign missions. Mr. Szymczak also stated that it was his view, for the reasons outlined in his memorandum, that the references to Board "approval" in the staff memorandum should be retained.

During the ensuing discussion, Chairman McCabe suggested the possibility of a compromise on this point under which the policy group

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created in 1945, consisting of the Chairman of the Board, the member of the Board having the assignment of initial consideration of foreign matters, and the President of the Federal Reserve Bank of New York, would consider any requests for assistance in the foreign area.

Mr. Szymczak stated that the 1945 understanding provides for consultation on policy matters by the policy group, that he did not believe the group should become an operating committee or should consider individual requests for foreign assistance unless they involved a policy question, and that he did not feel the proposed guide for use of the Board's staff in considering cases presented for the Board's approval should be modified by eliminating all reference to approval by the Board in view of the provision of the Federal Reserve Act which places specific responsibilities on the Board in the foreign field.

Following a discussion of the matter Chairman McCabe suggested that further consideration be given to it at a meeting next week.

Chairman McCabe's suggestion
was approved unanimously.

Mr. Szymczak then referred to the decision at the meeting of the Board on September 27, 1949 to create in the staff a division of international finance and suggested that the necessary steps now be taken to put that decision into effect.

Mr. Evans stated that his present view was that there should be only one division carrying on research work, that the creation of

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two separate divisions, one to handle domestic research and one to handle international research, was not sound from the organizational standpoint and would lead to duplication and inefficiency, and that for these reasons steps to activate a separate division should not be taken.

There followed a discussion of the matter during which it was agreed that it would be given further consideration at a meeting next week.

Mr. Leonard, Director of the Division of Bank Operations, joined the meeting at this point.

Reference was also made to the discussion with the Presidents yesterday of the pending bills on aid to small business and to what steps might be taken at this time so that, should legislation be approved providing for the creation of investment companies, one or more of such companies could be organized with the least possible delay. It was the consensus of the members present that, in view of the strong likelihood that no legislation on this subject would be passed at this session of the Congress, there was no need to give further consideration to such steps at this time.

Mr. Carpenter stated that the Secretary of the Presidents' Conference had advised that at an informal meeting of the Presidents which followed their joint meeting with the Board, a majority of the Presidents opposed the Board of Governors giving active support to provisions in either the Lucas-Spence Bill, H. R. 8565, or the

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O'Mahoney Bill, S. 3625, relating to the so-called "Bimson" plan for insurance of small business loans and that it was the consensus of the Presidents that the Board should determine whether to take a definite position on the capital investment companies feature of the O'Mahoney Bill, S. 3625, and that the Presidents would be in accord with such position as the Board decided to take.

Chairman McCabe referred to the discussion at the joint meeting with the Presidents yesterday of the question raised by the Federal Reserve Bank of Kansas City as to whether, in view of the consideration now being given to changing completely the basis for determining reserve requirements, any reclassification of reserve cities would now be advisable.

The matter was reviewed again and it was agreed unanimously that no change in the procedure established in December 1947 for designation of reserve cities should be made at this time and the staff was requested to prepare a draft of letter to the Federal Reserve Banks, informing them of this decision.

Mr. Carpenter stated that he had been informed that the Conference of Presidents had appointed Mr. Leach, President of the Federal Reserve Bank of Richmond, a member of the new joint committee to be composed of a member of the Presidents' Conference, a member of the Chairmen's Conference, and a member of the Board of Governors, to look into the question of expenses of the Federal Reserve System and steps that might be taken further to assure effective budgetary control of such expenses.

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Chairman McCabe stated that he would call Mr. Stevens, Chairman of the Chairmen's Conference, regarding the appointment of a chairman of a Federal Reserve Bank and that he (Chairman McCabe) would make a recommendation as to the appointment of a member of the Board to serve on the Committee.

Reference was also made to the discussion at the joint meeting with the Presidents' Conference yesterday of the suggestion made by Chairman McCabe that steps be taken to make more effective the work of officers in charge of Branches of Federal Reserve Banks, and to the proposal that a conference of managing officers of the Branches be held in Washington.

Mr. Leonard was requested to prepare a memorandum covering the functions that might be performed at the Branches and it was understood that the matter would be given further consideration when the memorandum was available.

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 the meeting of the Board of Governors of the Federal Reserve System with the Presidents of the Federal Reserve Banks held on June 15, 1950, were approved unanimously.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on June 15, 1950, were approved unanimously.

Memorandum dated June 12, 1950, from Mr. Millard, Director of the Division of Examinations, recommending increases in the basic annual salaries of the following employees in that Division, effective June

25, 1950:

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<u>Name</u>	<u>Title</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
R. C. Masters	Federal Reserve Examiner	\$8,000	\$8,200
W. C. Bender, Jr.	Assistant Federal Reserve Examiner	3,575	3,700

Approved unanimously.

Memorandum dated June 15, 1950, from Mr. Boothe, Assistant Director of the Division of Administrative Services, recommending the appointment of Miss Katherine Robinson as a page in that Division on a temporary basis for a period of three months, with basic salary at the rate of \$2,200 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.

Memoranda from the heads of the divisions indicated below recommending increases in the basic annual salaries of the following employees in those divisions, effective June 25, 1950:

<u>Date of Memo</u>	<u>Name</u>	<u>Title</u>	<u>Salary Increase</u>	
			<u>From</u>	<u>To</u>
ADMINISTRATIVE SERVICES				
6/7/50	Bloch, Stanley	Asst. Supervisor	\$4200	\$4325
	Peregory, Walter	Offset Press Opr.	3850	3950
	Constable, Frank W.	Photog. (Off.)	3475	3825
	Taylor, Franklin	Photog. (Off.)	3355	3825
	Moffett, Bruce L.	Offset Press Opr.	3115	3450
	Dyson, Nelson	Bindery Worker	3154	3450
	Lane, Daniel F.	Operator (Mimeo.)	2680	2732
	Dinkins, B.	Operator (Mimeo.)	2360	2412
	Johnson, Gordon	Operator (Mimeo.)	2760	2812
	Trueheart, Lynwood	Operator (Mimeo.)	2920	2972
	Bundy, Herbert W.	Operator (Mimeo.)	2530	2572
RESEARCH AND STATISTICS				
6/7/50	Harold L. Cheadle	Economist	5,400	6,400

Approved unanimously.

Letter to Mr. Leedy, President of the Federal Reserve Bank of Kansas City, reading as follows:

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"The Board of Governors approves the payment of salary to you as President at the rate of \$25,000 per annum and to Mr. Henry O. Koppang as First Vice President at the rate of \$18,000 per annum for the period June 1, 1950, through February 28, 1951, the date your terms of office will expire. These rates, according to the list attached to your letter of May 16, 1950, and your letter of June 8, 1950, are the rates which were fixed by the board of directors.

"The Board of Governors also approves the payment of salary to the following officers at the rates indicated, which, according to the list attached to your letter of May 16, 1950, and your letter of June 8, 1950, are the rates which were fixed by your directors for the period June 1, 1950, through May 31, 1951.

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
D. W. Woolley	Vice President	\$15,000
Delos C. Johns	Vice President, General Counsel, and Secretary	15,000
John Phillips, Jr.	Vice President	11,000
C. E. Sandy	Cashier	9,800
G. A. Gregory	Assistant Vice President	9,400
M. W. E. Park	Assistant Vice President	9,000
E. U. Sherman	Assistant Vice President	8,400
E. D. Vanderhoof	Assistant Cashier	7,000
C. A. Cravens	Assistant Cashier	6,300
P. A. Debus	Assistant Cashier	6,000
J. T. White	Assistant Cashier	5,400
T. Bruce Robb	Director of Research	10,000*
C. L. Bollinger	Auditor	7,800
L. F. Mills	Chief Examiner	7,800
	<u>Denver Branch</u>	
G. H. Pipkin	Vice President	13,000
F. H. Larson	Cashier	7,600
H. L. Stempel	Assistant Cashier	6,600
Hubert G. Duck	Assistant Cashier	6,600
	<u>Oklahoma City Branch</u>	
R. L. Mathes	Vice President	12,000
F. W. Alexander	Cashier	7,600
F. R. Fritz	Assistant Cashier	6,600
Fred C. Schmocker	Assistant Cashier	6,500
	<u>Omaha Branch</u>	
L. H. Earhart	Vice President	13,500

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<u>"Name</u>	<u>Title</u> <u>Omaha Branch</u>	<u>Annual Salary</u>
J. K. Friedebach	Cashier	\$ 7,600
U. S. Berry	Assistant Cashier	6,700
William P. Doran	Assistant Cashier	6,500

"*Since Mr. Robb is to retire effective August 1, 1950, payment of his salary is approved only through July 31, 1950."

Approved unanimously.

Letter prepared for Chairman McCabe's signature to Honorable John W. Snyder, Secretary of the Treasury, Washington, D. C., reading as follows:

"We have received a request from the Budget Bureau for our views with respect to H. R. 6743, an act 'To amend the Federal Home Loan Bank Act, as amended, and Title IV of the National Housing Act, as amended, and for other purposes' which, as you know, has passed both Houses of Congress and is now pending before the President. We assume that you have also received such a request from the Budget Bureau.

"As you will recall, the various agencies of the Government interested in this proposed legislation have consulted on numerous occasions in an endeavor to work out an agreement with respect to the steps that savings and loan associations should be required to take for their own protection in connection with the proposal to make further Government funds available to the Home Loan Banks and the Federal Savings and Loan Insurance Corporation. Certain proposals were agreed upon, but these have been considerably weakened in the passage of the legislation through Congress. In addition, there have been added to the bill provisions to increase the coverage of savings and loan insurance and to reduce the premiums paid by savings and loan associations for this insurance. Accordingly, we do not feel that the proposed legislation is desirable.

"In view of the provisions in the bill for borrowing from the Treasury in an aggregate amount of \$1,750,000,000, we feel that you have an espe-

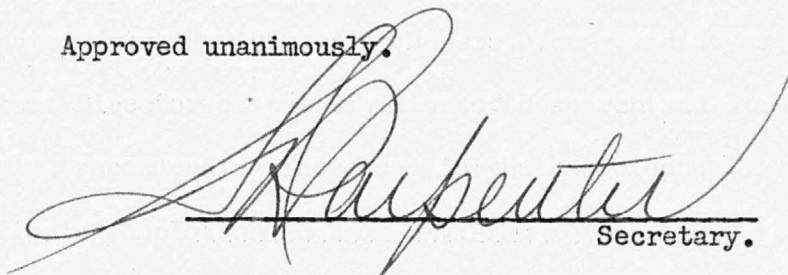
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cially important interest in the bill. Accordingly, if you should wish to recommend that the President not approve this legislation, we will be glad to support your viewpoint and there is enclosed herewith a draft of a message which might be suggested to the President for this purpose. On the other hand, if, after consideration of the matter, you should not be disposed to suggest that the President disapprove the bill, we probably would not care to make such a suggestion.

"We will appreciate hearing from you at your earliest possible convenience, as the Budget Bureau has requested an immediate expression of our views."

Approved unanimously.



Secretary.