

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, June 21, 1950. The Board met in the Board Room at 11:10 a.m.

PRESENT: Mr. McCabe, Chairman
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. Vest, General Counsel
Mr. Young, Director, Division of
Research and Statistics
Mr. Horbett, Assistant Director,
Division of Bank Operations
Mr. Hackley, Assistant Counsel
Mr. Fauver, Administrative Assistant
to the Chairman
Miss Burr, Assistant to the Director,
Division of Research and Statistics
Mr. Schmidt, Economist, Division of
Research and Statistics

Chairman McCabe referred to the discussion at the meeting of the Board with the Presidents on June 15, 1950, concerning the adoption of a two-day maximum deferment schedule for crediting items collected through the Federal Reserve check collection system, stating that he had talked with Mr. Brown, President of the Federal Advisory Council, by telephone and that Mr. Brown had stated it would be difficult to obtain a meeting of the executive committee of the Council to discuss the matter at this time. Chairman McCabe said that President Brown reported that he had telephoned each member of the Advisory Council,

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however, that the strongest opposition to adoption of a two-day maximum deferment schedule came from Mr. Hemingway of St. Louis, that President Brown expressed appreciation for the opportunity given the Council to discuss the matter before announcement of the shortened schedule, and that in view of all the circumstances he would suggest that the announcement be deferred until after the next meeting of the Federal Advisory Council so that it would have an opportunity to discuss the matter fully with the Board. Chairman McCabe stated that he felt a delay in its adoption of the proposed change would not be objectionable and that he, therefore, would recommend that President Brown's suggestion be followed if Mr. Peyton, Chairman of the Presidents' Conference, concurred.

It was understood that Chairman McCabe would call Mr. Peyton on the telephone and discuss the matter with him.

It was also agreed that if the effective date was deferred the President of each of the Federal Reserve Banks should be requested to discuss the matter with the member of the Council from his district so that the latter would be fully informed when he attended the next meeting of the Federal Advisory Council.

Chairman McCabe stated that a letter from Acting Comptroller of the Currency Robertson dated June 20, 1950 had just been delivered to his office stating that on June 20 the Comptroller's Office issued permits to branch into the Bank of America N. T. & S. A. 21 banks and 27 offices now controlled by Transamerica Corporation. The

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Principal portions of the letter were read, indicating that the additional branches of the Bank of America N. T. & S. A. would open for business on June 26, 1950.

There was presented a draft of letter to Mr. Roger W. Jones, Assistant Director, Legislative Reference, Bureau of the Budget, Washington 25, D. C., reading as follows:

"This is in response to enrolled bill transmittal sheet of June 14, 1950, enclosing a facsimile of the enrolled enactment of 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.'

"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, although in 1946 the President vetoed a bill to reduce these premiums.

"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 the Treasury has an especially important interest in the bill. We understand that the Secretary of the Treasury has advised the Bureau of the Budget that after reviewing the President's action in 1946, and the current situation, he has found nothing that would warrant a different conclusion now. The Board agrees with this position of the Secretary of the Treasury."

Approved unanimously.

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A draft of statement to be made by Chairman McCabe before the Senate Banking and Currency Committee in connection with proposed small business legislation, S. 3625 a bill to make capital and credit more readily available for financing small business and S. 2975, a bill to establish corporations to assist financial institutions in making credit available to commercial and industrial enterprises and to provide capital for such enterprises, was then presented. Chairman McCabe stated that in accordance with the discussion at the meeting on June 14 he had telephoned Mr. Staats, Assistant Director of the Bureau of the Budget, and informed him of his views with respect to the time at which he (Chairman McCabe) should appear as a witness on this legislation, that he felt Mr. Staats understood his position, and that he also understood some of the persons interested in the legislation still desired that he appear as a witness immediately after the initial testimony to be given by Secretary of Commerce Sawyer tomorrow.

The draft of testimony was then read and discussed.

During the discussion Mr. Solomon, Assistant General Counsel, joined the meeting.

Mr. Solomon stated that he had just come from a staff meeting at the Department of Commerce which had been called for the purpose of reviewing the testimony to be given by Secretary of Commerce Sawyer on the small business legislation tomorrow and that it had been

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suggested that a member of the Board's staff be present at the hearing to comment on technical matters if that should be necessary.

It was agreed that Mr. Solomon would attend the hearing and that if called upon to do so he would comment on technical aspects of the legislation but that if he were questioned with respect to policy matters he would state that he was not in a position to discuss such questions.

Mr. Evans withdrew from the meeting at this point to keep an appointment made before this meeting was called. He stated that he had read the draft of statement, that he agreed with it in substance, and that he would like to have the minutes show that he approved it with such changes in language as were acceptable to Chairman McCabe and the other members of the Board.

The meeting recessed and reconvened at 2:30 p.m. with the same attendance as at the close of the morning session except that Mr. Kenyon was not present.

Mr. Szymczak stated that the Attorney General had been informed by telephone of the letter from the Comptroller of the Currency to which reference was made at the morning session and that the Attorney General had responded that there was no action he could take in connection with it.

The reading of the draft of statement to be made by Chairman McCabe was resumed, and during the ensuing discussion it was agreed that the statement would be revised to in-

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corporate changes agreed upon during this meeting and that Chairman McCabe would be authorized to send it to the Federal Reserve Banks and to such others as he might wish for their comments and suggestions.

Mr. Eccles, who was not able to attend this meeting, asked that the minutes show that he was opposed to S. 3625 and S. 2975 because he felt that no legislation was called for at this time to expand credit for business in any way either through the Reconstruction Finance Corporation or in the manner proposed by the bills, that the legitimate credit for needs of business was being adequately supplied by the existing facilities, and that it was contrary to the whole idea of free enterprise to have the Government go further into this field. He thought it was particularly undesirable during the present inflationary period to provide any additional mechanisms for the expansion of credit. If any legislation was to be enacted, he felt it should be along the lines of the so-called Bimson plan administered by the Federal Reserve System which would be practically the same program as was proposed by the Board in bill S. 408 which was reported unanimously by the Senate Committee on Banking and Currency in 1947.

At this point all of the members of the staff with the exception of Messrs. Carpenter and Sherman withdrew, and the action stated with respect to each of the matters hereinafter referred to was taken by the Board:

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Memorandum dated June 14, 1950, from Messrs. Young and Noyes, Director and Assistant Director of the Division of Research and Statistics, respectively, recommending an increase in the basic salary of Miss June A. Truitt, a clerk-stenographer in that Division, from \$3,050 to \$3,115 per annum, effective June 25, 1950.

Approved unanimously.

Memorandum dated June 16, 1950, from Mr. Chase, Assistant Solicitor, recommending the appointment of Miss Diane Kendrick Vigeant as a stenographer in the Office of the Solicitor on a temporary basis for a period of three months, 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 June 20, 1950, from Mr. Millard, Director of the Division of Examinations, recommending that the resignation of E. L. Brien, Jr., a Federal Reserve Examiner in that Division, be accepted to be effective, in accordance with his request, at the close of business July 31, 1950.

Approved unanimously.

Memorandum dated June 20, 1950, from Mr. Leonard, Director of the Division of Bank Operations, recommending, subject to final clearance of the application, the appointment of Howard Gray Smith

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as an Analyst in that Division, with basic salary at the rate of \$3,450 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 The Honorable, The Comptroller of the Currency, Treasury Department, Washington 25, D. C., reading as follows:

"It is respectfully requested that you place an order with the Bureau of Engraving and Printing for printing 33,410,000 sheets of Federal Reserve notes of the 1934 Series during the fiscal year ending June 30, 1951, in the amounts and denominations stated for the following Federal Reserve Banks:

	<u>Denomi- nations</u>	<u>Number of sheets</u>	<u>Amount</u>
Boston	\$5	550,000	\$33,000,000
	10	1,125,000	135,000,000
	20	175,000	42,000,000
	50	25,000	15,000,000.
New York	5	2,750,000	165,000,000
	10	3,900,000	468,000,000
	20	1,025,000	246,000,000
	50	105,000	63,000,000
Philadelphia	5	500,000	30,000,000
	10	1,075,000	129,000,000
	20	200,000	48,000,000
	50	50,000	30,000,000
Cleveland	100	20,000	24,000,000
	5	300,000	18,000,000
	10	1,225,000	147,000,000
	20	425,000	102,000,000
Richmond	5	750,000	45,000,000
	10	1,225,000	147,000,000
	20	1,050,000	252,000,000
	50	10,000	6,000,000
Totals	5	8,400,000	504,000,000
	10	17,725,000	2,127,000,000
	20	6,875,000	1,650,000,000
	50	270,000	162,000,000
	100	140,000	168,000,000"

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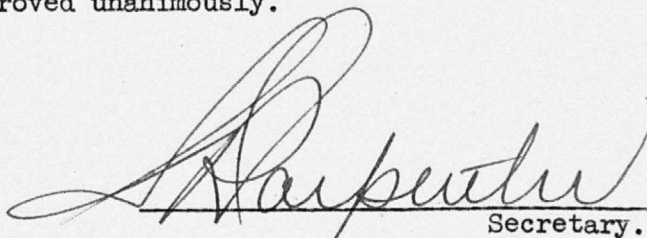
Approved unanimously.

Memorandum dated June 19, 1950, from Mr. Chase, Assistant Solicitor, requesting that the Board authorize an increase of \$4,000 in the travel expense item and of \$3,000 in the "Miscellaneous" item of the 1950 Budget of the Solicitor's Office.

Approved unanimously.

Memorandum dated June 20, 1950, from Mr. Chase, Assistant Solicitor, requesting that the Board authorize the Division of Administrative Services to advance \$400.00 to Mr. Gregory O'Keefe, an attorney assisting the Solicitor, on account of traveling expenses, without requiring him to file vouchers or applications or furnish security prior to the making of the advance.

Approved unanimously.


Secretary.