

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, June 22, 1950. The Board met in the Board Room at 2:20 p.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. Vest, General Counsel

Chairman McCabe made substantially the following statement:

"This morning Secretary of the Treasury Snyder telephoned to say that there was a matter he would like to discuss with me and wanted to come over. As I was going to the White House on another matter I told him I would drop by his office after my visit at the White House, which I did. The Secretary was disturbed about the articles appearing in the press about differences between the Treasury and the Board on Treasury financing policy which, he said, were having an adverse effect on the market and appeared to be designed to force his hand which he did not like. He wanted to know if there was any way in which we could put a damper on such discussions and he wondered where the reporters were obtaining their information. He said that he had told his own staff emphatically that they were not to give out any information. We also discussed the general credit and business situation."

In the ensuing discussion it was clear from the comments of the members of the Board and the staff present that they had not given any confidential information to the press. It was stated that the different views of the Treasury and the System were so well known and the action of the Treasury in connection with the refunding of the June and July maturities so emphasized that difference that the vari-

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ous articles that had appeared could easily be written by anyone who was following developments in the money market.

Reference was then made to the action at the meeting on June 20, 1950 authorizing Messrs. Townsend, Solicitor, and O'Keefe, an attorney assisting the Solicitor, to go to San Francisco to present the necessary papers for filing a petition in the Circuit Court of Appeals for the Ninth District to enjoin Bank of America National Trust and Savings Association from acquiring the assets of some 21 banks controlled by Transamerica Corporation.

Following a discussion, it was agreed unanimously that Mr. Morrill should call Mr. Townsend on the telephone and inform him that there had been no change in the situation since the meeting on June 20, and that accordingly, he should proceed to file the petition on Friday, June 23.

There was a discussion of the question whether the Board should notify the Comptroller of the Currency of the foregoing action and it was the consensus that, since the petition would not mention the Comptroller's Office or the branches for which the Comptroller had issued permits, there was no reason why the Board should notify him it was being filed.

In connection with the foregoing discussion, Mr. Morrill stated that Mr. Townsend had informed him over the telephone that, for reasons which he outlined, he proposed to address a letter to Mr. Sparling, Superintendent of Banks of the State of California, requesting on behalf of the Board that pending filing of the Board's

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petition for an injunction, he withhold authorizations which under State law he was required to give in connection with the liquidation of the State banks in California which the Bank of America N. T. & S. A. proposed to convert into branches.

It was voted unanimously to authorize Mr. Townsend to send a letter to Mr. Sparling requesting that the authorizations in question be withheld.

Chairman McCabe stated that Chairman Maybank of the Senate Banking and Currency Committee called him on the telephone this morning and asked him to appear before the Committee on Tuesday, June 27 in connection with the proposed legislation on small business, 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. The Chairman said that he informed Senator Maybank he would do whatever the Committee wanted, but that he felt it would be better if he appeared toward the end of the hearing. Chairman McCabe also said that this morning he sent copies of the preliminary draft of testimony discussed at the meeting yesterday to the Federal Reserve Banks and to several other persons, including Secretary of the Treasury Snyder and Secretary of Commerce Sawyer, informing them that he would be pleased to have their comment.

At this point all of the members of the staff with the ex-

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ception 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 June 19, 1950, were approved unanimously.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on June 20 and 21, 1950, were approved and the actions recorded therein were ratified unanimously.

Letter to Mr. Powell, First Vice President of the Federal Reserve Bank of Minneapolis, reading as follows:

"In accordance with the request contained in your letter of June 12, 1950, the Board approves the appointments of Morris G. Anderson, Earl O. Beeth, and Robert G. Briere as assistant examiners for the Federal Reserve Bank of Minneapolis."

Approved unanimously.

Letter to Mr. Shepard, Federal Reserve Agent of the Federal Reserve Bank of Minneapolis, reading as follows:

"In accordance with the request contained in Mr. Powell's letter of June 12, 1950, the Board approves, effective June 16, 1950, the payment of salary to Mr. Morris G. Anderson at the rate of \$4,100 per annum as Alternate Assistant Federal Reserve Agent."

Approved unanimously.

Letter to Mr. James A. McCain, President, Montana State University, Missoula, Montana, reading as follows:

"Your letter of June 14, 1950, to Mr. Groth submitting your resignation as a director of the

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"Helena Branch of the Federal Reserve Bank of Minneapolis has been brought to the attention of the Board of Governors. The members of the Board deeply regret that your change of residence from the branch territory prevents your continuing as a director of the Helena Branch and it is with reluctance that the Board of Governors accepts your resignation, as requested, effective July 1, 1950.

"Your contribution to the Federal Reserve System during your service as a director is genuinely appreciated and the Board hopes that you will retain an active interest in the welfare of the System after the termination of your official connection with it. The comments contained in your letter with respect to your association with the Helena Branch are indeed gratifying and it is the Board's sincerest wish that you will meet with every success in your new endeavor."

Approved unanimously.

Letter to Mr. Walter C. Louchheim, Jr., Securities and Exchange Commission, 425 Second Street, N. W., Washington, D. C., reading as follows:

"We are pleased to send you for your information the enclosed data which were discussed with you and Mr. McCutchen by Messrs. Riefler, Solomon, Schmidt, and Pawley at your meeting on June 14.

"The material, all of which has been reported to us by the New York Stock Exchange, includes the following items:

- (1) Borrowing by specialists from August 1949 to May 1950 under exemption provisions of Regulations T and U,
- (2) Number of margin accounts as of selected dates,
- (3) Customers' debit balances and free credit balances as of May 31, 1950.

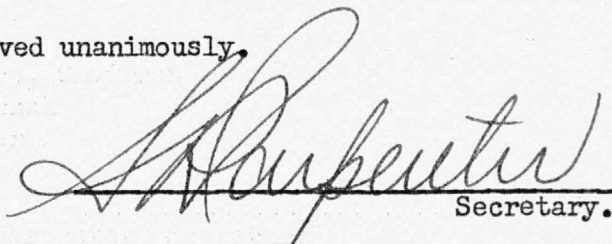
"The first two of these items have been submitted to us by the Exchange for our information and we understand that you will treat them as confidential.

"We shall be glad to send subsequent data on these items to you from time to time as they become

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"available."

Approved unanimously.



A. R. Carpenter
Secretary.