

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, June 23, 1950. The Board met in the Board Room at 10:35 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. Thomas, Economic Adviser to the Board
Mr. Vest, General Counsel
Mr. Young, Director, Division of
Research and Statistics
Mr. Youngdahl, Chief, Government Finance
Section, Division of Research and
Statistics

There were presented telegrams to the Federal Reserve Banks of New York, Philadelphia, Cleveland, Richmond, Chicago, St. Louis, Minneapolis, Kansas City, and Dallas, stating that the Board approves the establishment without change by the Federal Reserve Bank of Cleveland on June 20, by the Federal Reserve Banks of St. Louis and Kansas City on June 21, and by the Federal Reserve Banks of New York, Philadelphia, Richmond, Chicago, Minneapolis, and Dallas on June 22, 1950, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Mr. Thomas reported on recent developments in the Government securities market, which was followed by a general discussion.

Mr. Youngdahl withdrew from the meeting at this point.

6/23/50

-2-

Reference was then made to a memorandum prepared in the Legal Division under date of June 20, 1950 with respect to hearings before the House Banking and Currency Committee on the Federal Deposit Insurance Corporation Bill, S. 2822, which opened on June 20. The memorandum stated that the Committee expected to hold an executive session sometime early next week to hear Chairman Harl and Director Cook of the Federal Deposit Insurance Corporation present information relating to the adequacy of the insurance fund, the assessment reduction, and the examining powers of the Federal Deposit Insurance Corporation.

Mr. Vest stated that except for the executive session the hearings on the bill had closed, and that most of the witnesses who expressed views on the question whether the Federal Deposit Insurance Corporation should have authority to examine Federal Reserve member banks without the permission of the Board indicated that they felt such authority should be given to the Corporation.

During the ensuing discussion, it was suggested that Chairman McCabe call Assistant Director of the Bureau of the Budget Staats on the telephone and ask that he send Chairman Spence of the House Banking and Currency Committee, for the information of the members of the Committee, a copy of the letter from the Assistant Director of the Bureau of the Budget to Chairman McCabe dated February 10, 1950, expressing the views of the President on this point.

6/23/50

-3-

The foregoing suggestion was approved unanimously.

Before this meeting there had been sent to each member of the Board a draft of tentative agenda for the Conference of Chairmen of the Federal Reserve Banks to be held at the Federal Reserve Bank of New York September 18-19, 1950. During a discussion of the agenda several suggestions in connection with the meeting were made and it was understood these would be transmitted to Mr. Stevens, Chairman of the Conference and that the Board had no objection to offer to the agenda.

Mr. Vest stated that he received a telephone call from Mr. Parsons of the staff of the Senate Banking and Currency Committee this morning stating that Chairman McCabe was scheduled to testify on the proposed small business legislation on Tuesday morning, June 27, 1950, and that Senators O'Mahoney and Lucas were to appear as witnesses on Wednesday, June 28.

Mr. Szymczak referred to the discussion at the meeting on June 16 of the decision at the meeting of the Board on September 27, 1949, to create in the staff a Division of International Finance, and stated that after giving further consideration to the matter in the light of the discussion at the meeting last week, he recommended that the Board take the necessary steps to establish such a Division effective July 1, 1950, and that it designate Arthur W. Marget, presently Adviser on International Finance in the Division of Research and Statistics, as Director of the new Division.

6/23/50

-4-

Following a discussion, it was agreed that the Board would proceed with the organization of the division as of July 1, 1950, and that a memorandum setting forth the understanding with respect to the establishment of the new division in accordance with the action taken on September 27, 1949, and any collateral matters incident to the creation of the new division, should be prepared immediately and submitted to the Personnel Committee for recommendation to the Board. Mr. Evans voted "no" on this action. The Secretary stated that Mr. Eccles had indicated that he would favor the action.

Mr. Szymczak referred to the discussion at the meeting on June 16 with respect to a proposed memorandum on System policy in providing technical assistance in the foreign area, and stated that in the light of further consideration of the matter, he felt it was not necessary to issue a statement of policy as proposed but that it would be sufficient to prepare for approval by the Board a memorandum stating the criteria to be considered by the staff in connection with requests that might be received for assistance in the foreign area.

This procedure was approved unanimously.

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:

6/23/50

-5-

Minutes of actions taken by the Board of Governors of the Federal Reserve System on June 22, 1950, were approved unanimously.

Memoranda dated June 7, 1950, from Mr. Young, Director of the Division of Research and Statistics, recommending increases in the basic annual salaries of the following employees in that Division, effective June 25, 1950:

<u>Name</u>	<u>Title</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
Mrs. Laura G. Saunders	Economist	\$4,850	\$5,400
Arthur L. Broida	Economist	5,600	6,400

Approved unanimously.

Memorandum dated June 9, 1950, from Messrs. Young and Noyes, Director and Assistant Director of the Division of Research and Statistics, respectively, recommending the appointment of Ralph F. Leach as an Economist in that Division, with basic salary at the rate of \$7,800 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.

Memorandum dated June 21, 1950, from Messrs. Young and Noyes, Director and Assistant Director of the Division of Research and Statistics, respectively, recommending that the resignation of Richard C. Pickering, a Research Assistant in that Division, be accepted to be effective, in accordance with his request, at the close of business June 23, 1950.

Approved unanimously.

6/23/50

-6-

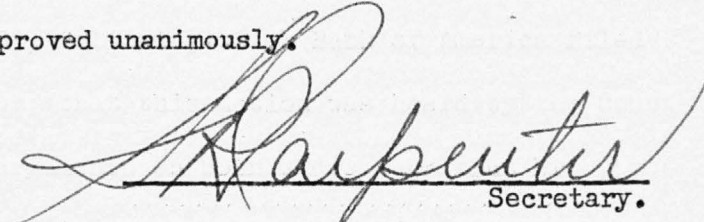
Telegram to Mr. Wilbur, Federal Reserve Agent of the Federal Reserve Bank of San Francisco, authorizing him to issue a limited voting permit, under the provisions of Section 5114 of the Revised Statutes of the United States, to "Escrow & Loan Service Co., Incorporated", Pasadena, California, entitling such organization to vote the stock which it owns of the "Pasadena-First National Bank", Pasadena, California, and at any time prior to November 1, 1950, to act upon a proposal or proposals (1) to increase the capital stock of such bank, and (2) to amend the articles of association of such bank to conform to articles recommended by the Comptroller of the Currency, provided that all action taken shall be in accordance with a plan satisfactory to the Comptroller of the Currency.

Approved unanimously.

Telegram to the Presidents of all Federal Reserve Banks, reading as follows:

"Board of Governors approves payment of regular semiannual dividend for period ending June 30, 1950."

Approved unanimously.


Secretary.