

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, July 21, 1950. The Board met in the Board Room at 2:35 p.m.

PRESENT: Mr. Szymczak, Chairman pro tem.
Mr. Evans

Mr. Carpenter, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Thurston, Assistant to the Board
Mr. Riefler, Assistant to the Chairman
Mr. Thomas, Economic Adviser
Mr. Leonard, Director, Division of Bank Operations
Mr. Young, Director, Division of Research and Statistics
Mr. Solomon, Assistant General Counsel
Mr. Sloan, Assistant Director, Division of Examinations
Mr. Fauver, Administrative Assistant to the Chairman
Miss Burr, Assistant to the Director, Division of Research and Statistics
Mr. Jones, Chief, Consumer Credit and Finances Section, Division of Research and Statistics

ALSO PRESENT: Mr. Young, President, Federal Reserve Bank of Chicago
Mr. Davis, President, Federal Reserve Bank of St. Louis
Mr. Rouse, Vice President, Federal Reserve Bank of New York
Mr. Lewis, Assistant Vice President, Federal Reserve Bank of St. Louis

There were presented telegrams to the Federal Reserve Banks of Philadelphia, Chicago, Kansas City, and San Francisco stating that the Board approves the establishment without change by the Federal Reserve Bank of San Francisco on July 18, by the Federal Reserve Bank of Kansas City on July 19, and by the Federal Reserve

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Banks of Philadelphia and Chicago on July 20, 1950, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

As stated by Chairman McCabe at the meeting of the executive committee of the Federal Open Market Committee this morning the Board had been requested informally by the Senate Banking and Currency Committee to submit to the Committee a written statement concerning the provisions in the Defense Production Act of 1950 relating to the regulation of consumer and real estate credit and the guarantee of defense production loans. Chairman Spence of the House Banking and Currency Committee had requested that, in addition to submitting a statement, a member of the Board attend the hearings of the Committee on Tuesday, July 25, for the purpose of answering questions regarding the regulation of consumer credit and the guarantee of defense production loans. In response to this request Chairman McCabe had arranged to have Mr. Evans attend the hearings for that purpose.

Before this meeting a preliminary draft of a proposed Board statement had been prepared by the staff and copies had been sent by Chairman McCabe to Mr. Symington, Chairman of the National Security Resources Board, and Secretary of Commerce Sawyer, who were to be the Government witnesses before the two Committees. The draft statement was read and numerous revisions were made with the

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understanding that the draft would be rewritten to incorporate the changes that had been agreed upon.

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

Memoranda dated July 18, 1950, from Mr. Dembitz, Assistant Director of the Division of International Finance, recommending increases in the basic annual salaries of the following employees in that Division, effective July 23, 1950:

<u>Name</u>	<u>Title</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
Mrs. Esther G. Crews	Clerk	\$3,950	\$4,075
Miss Thelma E. Ward	Clerk	3,475	3,600

Approved unanimously.

Memorandum dated July 20, 1950, from Mr. Leonard, Director of the Division of Bank Operations, recommending increases in the basic annual salaries of the following employees in that Division, effective July 23, 1950:

<u>Name</u>	<u>Title</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
R. E. Sherfy	Analyst	\$4,450	\$4,575
Margaret K. Ball	Statistical Assistant	3,825	3,950
Evelyn Bryan	Supvr., Member Bank Statement Unit	3,825	3,950

Approved unanimously.

Letter to the Board of Directors of the "Victoria Bank and

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Trust Company", Victoria, Texas, stating that, subject to conditions of membership numbered 1 and 2 contained in the Board's Regulation H, the Board approves the Bank's application for membership in the Federal Reserve Bank of Dallas. The letter also contained the following special comment:

"It appears that the bank possesses certain powers which are not being exercised and which are not necessarily required in the conduct of a banking and trust business, such as the powers to guarantee the fidelity of others and conduct a surety business and to guarantee stocks, bonds, and other securities. Attention is invited to the fact that if the bank should desire to exercise any powers not actually exercised at the time of admission to membership, it will be necessary under condition of membership numbered 1 to obtain the permission of the Board of Governors before exercising them. In this connection, the Board understands that there has been no change in the scope of the corporate powers exercised by the bank since the date of its application for membership.

"It has been noted that the bank has trust powers and is exercising such powers to a limited extent under the direction of a duly elected trust officer who confers with other officers and with the bank's attorney in connection with trust matters. However, it appears that no trust committee has been appointed and the minutes of the bank's board of directors do not indicate that any reports of trust transactions have been recorded. Acceptance of trust business, no matter how small, entails serious responsibilities and if admitted to membership the bank will be expected to bring its trust activities into conformity with approved fiduciary practices."

Approved unanimously, for
transmittal through the Federal
Reserve Bank of Dallas.

Letter to Mr. Williams, President of the Federal Reserve

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Bank of Philadelphia, reading as follows:

"This refers to your letter of July 7, 1950, requesting the Board's approval of a building project calling for the addition of two floors to your main bank building and the installation on one of these floors of enough equipment to complete the air conditioning of the entire plant.

"The Board authorizes your Bank to proceed with the program as outlined in the report of the building committee. It is understood that before a contract for the work is awarded, the bids will be submitted to the Board of Governors."

Approved unanimously.

Letter to Mr. Gilbert, President of the Federal Reserve

Bank of Dallas, reading as follows:

"This refers to your letter of July 10, 1950, addressed to Mr. Morrill, regarding a draft of the original Federal Reserve Act containing marginal notes in the handwriting of former Secretary of the Treasury William D. McAdoo, which has been offered for sale to you by Mr. Jacob Zeitlin of Zeitlin and Ver Brugge of Los Angeles.

"As indicated in your letter, members of the Board's staff who have examined the volume in question feel that it has no particular value as legislative history. However, since it has some historic value, we believe that its acquisition by the Board would be justified if it can be purchased at a reasonable price. Accordingly, you are authorized on behalf of the Board to offer to purchase the volume from Mr. Zeitlin at a price of \$25.00 and, if that offer should not be acceptable, to offer such higher amount as you may deem proper but not to exceed \$50.00."

Approved unanimously.

Memorandum dated July 19, 1950, from Mr. Young, Director of the Division of Research and Statistics, recommending that in

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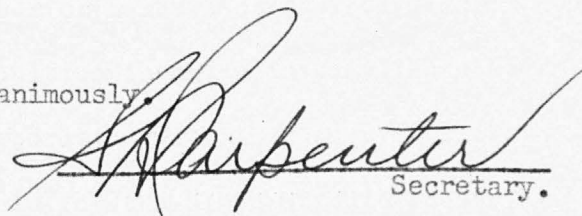
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connection with the conference on the limitation of real estate mortgage credit, held at the Board on July 20, he be authorized to approve for payment, out of funds provided in the 1950 budget for the purposes indicated, a consultant fee of \$40 per day, plus transportation to and from Washington and a per diem allowance in lieu of subsistence not in excess of \$9.00 per day to Professor Ernest Fisher of Columbia University, and a consultant fee of \$50.00 per day to Mr. Miles Colean, an independent real estate consultant.

Approved unanimously.

Memorandum dated July 20, 1950, from Mr. Townsend, Solicitor, requesting that he be authorized to return to San Francisco, California, in connection with the Transamerica Clayton Act proceeding, that reimbursement for travel expenses be on the same basis as applied when he was previously in San Francisco in connection with that proceeding, namely, per diem in lieu of subsistence at the rate of \$9.00, other allowances authorized by the Board's official travel regulations, and reimbursement for the rental of a small modest furnished apartment or suitable hotel room accommodations, and that the Board approve reimbursement to him for the rental of an apartment in San Francisco which Mr. O'Keefe had occupied in Mr. Townsend's absence.

Approved unanimously.


Secretary.