

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, October 27, 1950. The Board met in the Board Room at 10:35 a.m.

PRESENT: Mr. McCabe, Chairman
 Mr. Szymczak
 Mr. Vardaman
 Mr. Norton
 Mr. Powell

Mr. Carpenter, Secretary
 Mr. Sherman, Assistant Secretary
 Mr. Kenyon, Assistant Secretary
 Mr. Morrill, Special Adviser to the Board
 Mr. Thurston, Assistant to the Board
 Mr. Thomas, Economic Adviser to the Board
 Mr. Young, Director, Division of Research and Statistics
 Mr. Marget, Director, Division of International Finance
 Mr. Solomon, Assistant General Counsel
 Mr. Koch, Chief, Banking Section, Division of Research and Statistics
 Messrs. Tamagna, Grove, Hirschman, Alter, and Hinshaw of the Division of International Finance

Mr. Grove reported briefly on his trip to Chile in the spring of 1950, Mr. Tamagna reported on his work for the Economic Cooperation Administration earlier this year with respect to counter-part payments in various countries in Europe, and Mr. Marget reported on his attendance at the annual meeting of the International Bank for Reconstruction and Development held in Paris last month.

Mr. Marget also reported to the Board on a request addressed to Chairman McCabe by Senator O'Mahoney, Chairman, Joint Committee on the Economic Report, under date of September 20, 1950 that the Committee be furnished a memorandum on devices that have been used

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in foreign countries to restrict private credit without undue adverse effects on Government finance.

Mr. Szymczak stated that the staff had prepared a draft of a memorandum on the subject referred to by Mr. Marget and that he would suggest that a copy be furnished to the members of the Board in order that they might read it with a view to having a further discussion as to whether it was to be sent to Senator O'Mahoney and, if so, whether it should be sent as a Board document or as a staff document without Board approval.

Mr. Szymczak's suggestion was approved unanimously.

There were presented telegrams to the Federal Reserve Banks of New York, Cleveland, Richmond, Chicago, St. Louis, Minneapolis, Dallas, and San Francisco stating that the Board approves the establishment without change by the Federal Reserve Bank of San Francisco on October 24, by the Federal Reserve Bank of St. Louis on October 25, and by the Federal Reserve Banks of New York, Cleveland, Richmond, Chicago, Minneapolis, and Dallas on October 26, 1950, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Further reference was made to a memorandum from Messrs. Young, Noyes, and Williams dated October 24, 1950, discussed at the meeting on October 24, 1950, recommending that the Board authorize negotiations with the Survey Research Center of the University of Michigan

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for the conduct of supplementary surveys to ascertain the liquid asset position and other pertinent financial data with respect to purchasers of new homes and major consumer durable goods. Mr. Young stated that he had discussed the matter further with the Survey Research Center, that he felt that it would be practicable to make the surveys proposed, that the cost of the total surveys, estimated at \$75,000, did not appear to be excessive in relation to the period of time (6 months) that it would cover and the need for the information to be developed, and that he would recommend that the Division of Research and Statistics be authorized to proceed with the planning of such a survey, at a cost not to exceed \$5,000, after which it would be possible to determine definitely whether it would be practicable to proceed with the periodic surveys. Mr. Young stated that Mr. William A. Clarke, Consultant to the Administrator of the Office of Real Estate Credit, had indicated that the Mortgage Bankers Association of America and the National Association of Home Builders of the United States would be willing to cooperate in the survey by defraying part of the cost.

There was a discussion of the question whether, if such surveys were to be made, it might be desirable to have other agencies participate in it, but no conclusion was reached on this point.

Following the discussion, upon motion by Mr. Powell, it was voted unanimously to authorize arrangements with the Survey Research Center for the

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planning of the proposed surveys at a cost not to exceed \$5,000 and, subject to the approval of Mr. Powell, to proceed with arrangements for the monthly surveys as outlined in the memorandum of October 24, 1950 at a cost of approximately \$75,000. In taking this action, it was understood that the 1950 budget of the Division of Research and Statistics would be increased by an amount sufficient to cover the costs for the planning, and that, if the monthly surveys were to be made, the 1951 budget of that Division would include an amount sufficient to cover their costs.

There was a further discussion of the question whether reserve requirements of member banks should be increased and if so, the effective date of such action.

Mr. Vardaman stated that he was in favor of increasing such requirements and felt strongly that action should be taken as soon as possible, preferably before November 7.

Mr. Szymczak stated that he favored action to increase reserve requirements, making the increase effective as soon as possible with due regard for the offering of F and G bonds by the Treasury during the first ten days of November. He stated that it was his understanding that such an increase would follow action by the Open Market Committee to permit an increase in the short term rate on Treasury securities to 1 1/2 per cent, that it was also related to the announcement by the Treasury of the refunding of securities maturing in December and January, and that in the absence of developments which

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would cause a change in that understanding, the increase should be made as promptly as possible. He also repeated the suggestion made at previous meetings of the Board that it prepare recommendations on legislation to be submitted to the Congress when it reconvenes late next month.

During the ensuing discussion, Chairman McCabe suggested that the question of an increase in reserve requirements be considered at a later meeting of the Board with a view to taking final action on November 10, to become effective November 16.

Mr. Evans joined the meeting at this point and all of the members of the staff with the exception of Messrs. Carpenter, Morrill, and Thurston withdrew.

At Mr. Vardaman's suggestion there was a further discussion of the actions that might be taken by the Board in connection with the legislation affecting the Federal Reserve System which might be considered during the forthcoming sessions of the Congress.

Chairman McCabe referred to the speech which he was to make in Birmingham on November 9 and asked for the views of the members of the Board as to what the policy should be with respect to talks by members of the Board over the next few months during which public understanding of the things which the System was trying to accomplish would be of considerable importance. He also referred to the importance of members of the Board in this period exercising care in the statements which they make regarding the program of the

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System so that unnecessary misunderstandings might be avoided.

The points raised by Chairman McCabe were discussed but no conclusions were reached.

At this point Messrs. Morrill and Thurston 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 October 26, 1950, were approved unanimously.

Memorandum dated October 26, 1950, from Mr. Carpenter, Secretary of the Board, recommending an increase in the basic salary of Miss Alice C. Godard, a clerk-stenographer in the Office of the Secretary, from \$2,875 to \$3,035 per annum, effective October 29, 1950.

Approved unanimously.

Memorandum dated October 25, 1950, from Mr. Garfield, Adviser on Economic Research, Division of Research and Statistics, recommending increases in the basic annual salaries of the following employees in that Division, effective October 29, 1950:

<u>Name</u>	<u>Title</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
Eleanor S. Frase	Economist	\$5,225	\$5,350
June E. Crawley	Clerk	2,730	2,810
Virginia Lambert	Clerk-Stenographer	3,275	3,355

Approved unanimously.

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Memorandum dated October 25, 1950, from Mr. Garfield, Adviser on Economic Research, Division of Research and Statistics, recommending an increase in the basic salary of Mrs. Elizabeth B. Sette, an Economist in that Division, from \$4,975 to \$5,225 per annum, effective October 29, 1950.

Approved unanimously.

Letter to Mr. Erickson, President of the Federal Reserve Bank of Boston, reading as follows:

"Reference is made to your letter of October 20, 1950, requesting the Board of Governors to approve an increase in Grades 2 through 7 in the salary structure of the Federal Reserve Bank of Boston.

"The Board of Governors approves the following minimum and maximum salaries for the respective grades of the Federal Reserve Bank of Boston, effective November 1, 1950:

<u>Grade</u>	<u>Minimum Salary</u>	<u>Maximum Salary</u>
1	\$1440	\$1920
2	1560	2100
3	1680	2280
4	1860	2520
5	2040	2760
6	2280	3060
7	2520	3360
8	2760	3700
9	3060	4100
10	3420	4600
11	3900	5200
12	4400	5900
13	4900	6600
14	5500	7400
15	6200	8400
16	7100	9600

"The Board approves the payment of salaries to the employees, other than officers, within the limits specified for the grades in which the positions of the respective employees are classified. It is assumed

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"that all employees whose salaries are below the minimum of their grades as a result of the structure increase will be brought within the appropriate range as soon as practicable and not later than January 1, 1951."

Approved unanimously.

Letter to Mr. Leach, President of the Federal Reserve Bank of Richmond, reading as follows:

"Reference is made to your letter of October 20, 1950, requesting the Board of Governors to approve an increase of approximately ten per cent in the salary structure of the Federal Reserve Bank of Richmond.

"The Board of Governors approves the following minimum and maximum salaries for the respective grades of the Federal Reserve Bank of Richmond, including the Branches, effective immediately:

<u>Grade</u>	<u>Minimum Salary</u>	<u>Maximum Salary</u>
1	\$1500	\$2040
2	1680	2280
3	1800	2460
4	1980	2700
5	2220	3000
6	2460	3300
7	2760	3700
8	3060	4100
9	3420	4600
10	3800	5100
11	4200	5700
12	4600	6200
13	5100	6900
14	5600	7600
15	6100	8300
16	6700	9000

"The Board approves the payment of salaries to the employees, other than officers, within the limits specified for the grades in which the positions of the respective employees are classified. It is assumed that all employees whose salaries are below the minimum of their grades as a result of the structure increase

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"will be brought within the appropriate range as soon as practicable and not later than January 1, 1951."

Approved unanimously.

Letter to Mr. Weigel, Secretary of the Federal Reserve Bank of St. Louis, reading as follows:

"Reference is made to your letter of October 18, 1950, requesting the Board of Governors to approve an increase of approximately five per cent in the salary structure of the Federal Reserve Bank of St. Louis.

"The Board of Governors approves the following minimum and maximum salaries for the respective grades of the Federal Reserve Bank of St. Louis, including the Branches, effective November 1, 1950:

<u>Grade</u>	<u>Minimum Salary</u>	<u>Maximum Salary</u>
1	\$1560	\$2040
2	1680	2280
3	1800	2400
4	1920	2580
5	2100	2820
6	2340	3120
7	2580	3420
8	2880	3900
9	3180	4300
10	3540	4800
11	3900	5200
12	4300	5800
13	4800	6500
14	5600	7500
15	6400	8600
16	7200	9700

"The Board approves the payment of salaries to the employees, other than officers, within the limits specified for the grades in which the positions of the respective employees are classified. It is assumed that all employees whose salaries are below the minimum of their grades as a result of the structure increase will be brought within the appropriate range as soon as practicable and not later than January 1, 1951."

Approved unanimously.

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Telegram to Mr. Slade, Vice President of the Federal Reserve Bank of San Francisco, reading as follows:

"Reurlet October 20. In view of your recommendation, Board approves establishment and operation of a branch in Kimberly, Idaho, by 'Twin Falls Bank & Trust Company', Twin Falls, Idaho, provided such branch is established within six months from the date of this telegram, and with the understanding that Counsel for Reserve Bank will review and satisfy himself as to the legality of all steps taken to establish branch."

Approved unanimously.

Telegram for the signature of the Chairman, to Honorable Spessard L. Holland, United States Senator, Bartow, Florida, reading as follows:

"I am pleased to reply to your wire of October 19 regarding the Board's recent amendment to Regulation W providing a 15-months maturity on sales of automobiles.

"I can appreciate your desire that credit regulations should not bear on automobile dealers with undue severity as compared with other groups. I can assure you most earnestly that the Board is in complete sympathy with that view and thoroughly considered that phase of the matter as well as all other relevant factors before adopting the recent amendment. Board was convinced that the action was fair and no more drastic than required in the light of the threat to the national welfare arising from the present inflationary spiral.

"We were fully aware of the fact that automobile dealers would not favor the amendment. Fred L. Haller, President, National Automobile Dealers Association, has written to us regarding the matter and I am air mailing to you a copy of my reply which, I believe, will clarify the fact that the Board has always welcomed, and continues to welcome, the views of the automobile dealers."

Approved unanimously.

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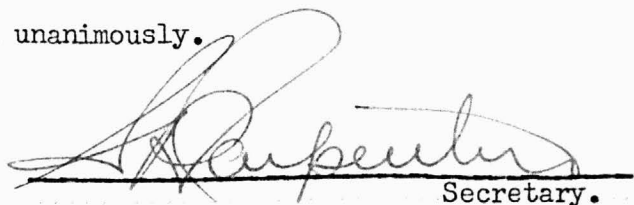
Telegram to the Presidents of all Federal Reserve Banks,
reading as follows:

"The Board of Governors of the Federal Reserve System under authority of the fourth paragraph of Section 16 of the Federal Reserve Act hereby establishes for the three months' period ending September 30, 1950, the rate of (1) per cent interest per annum on that amount of the Federal Reserve notes of your Bank which equals the average daily amount of its outstanding Federal Reserve notes during such period less the average daily amount of gold certificates held during such period by the Federal Reserve Agent as collateral security for such notes. Interest in an amount calculated in the manner and at the rate specified above shall be paid to the United States on October 30, 1950.

"According to daily balance sheets, the average daily amount of outstanding notes of your Bank during the third quarter of 1950 not covered by gold certificates with the Federal Reserve Agent was \$(2). At rate specified above, payment to Treasury for third quarter will be \$(3). Payment should be credited to Treasurer's general account as Miscellaneous Receipts, Symbol 1841-Interest Collected, Section 16 Federal Reserve Act as amended. No statement being given press with respect to this action.

	(1)	(2)	(3)
BOSTON	1.32	\$1,004,793,559	\$ 3,343,072.05
NEW YORK	8.70	530,062,782	11,623,623.31
PHILADELPHIA	1.49	905,881,469	3,402,143.34
CLEVELAND	1.54	1,193,489,948	4,632,702.90
RICHMOND	1.34	907,418,044	3,064,835.52
ATLANTA	1.66	642,698,370	2,689,120.41
CHICAGO	1.86	1,590,376,079	7,456,031.63
ST. LOUIS	1.50	709,953,587	2,684,208.08
MINNEAPOLIS	1.51	398,642,344	1,517,243.68
KANSAS CITY	1.37	652,871,330	2,254,463.08
DALLAS	1.97	442,758,759	2,198,509.52
SAN FRANCISCO	3.54	488,622,942	4,359,855.34"

Approved unanimously.



Secretary.