

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, April 30, 1953. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
 Mr. Szymczak
 Mr. Evans
 Mr. Vardaman
 Mr. Mills
 Mr. Robertson

Mr. Carpenter, Secretary
 Mr. Kenyon, Assistant Secretary
 Mr. Vest, General Counsel

The following requests for travel authorization were presented:

<u>Name and Title</u>	<u>Duration of Travel</u>
Dwight L. Allen, Director, Division of Personnel Administration	May 10-16, 1953
H. F. Sprecher, Jr., Assistant Director, Division of Personnel Administration	May 10-16, 1953

To travel to San Francisco, California, to attend the annual System Personnel Conference to be held in that city and to visit briefly at the Federal Reserve Bank of San Francisco and its Los Angeles Branch.

Clarke L. Fauver, Assistant to Mr. Thurston May 10-16, 1953

To travel to Minneapolis, Minnesota, to attend the "short course in banking" arranged by the Federal Reserve Bank of Minneapolis.

Approved unanimously, with the understanding that if Mr. Allen should find it desirable to visit the Portland and Seattle Branches also, he would be authorized to do so.

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Reference was made by Governor Szymczak to a letter dated April 20, 1953, which he had received from Mr. G. Keith Funston, President of the New York Stock Exchange, proposing in effect that credit granted to so-called "floor traders" be exempted from the margin requirements prescribed pursuant to Regulation T, Extension and Maintenance of Credit by Brokers, Dealers, and Members of National Securities Exchanges, and Regulation U, Loans by Banks for the Purpose of Purchasing or Carrying Stocks Registered on a National Securities Exchange.

Following a discussion, it was agreed that copies of Mr. Funston's letter should be sent to all of the members of the Board for their information and that steps would be taken to ascertain the views of the Federal Reserve Banks and the Securities and Exchange Commission on the proposal before the matter was considered by the Board.

Reference was made to Bill S. 1785, introduced by Senator Smith of New Jersey, Chairman of the Committee on Labor and Public Welfare, and to a statement made by Senator Smith on the floor of the Senate on April 28, 1953, in which, after stating that the bill among other things would repeal the existing exemption of the Federal Reserve Banks from the National Labor Relations Act (the Taft-Hartley Act), he commented that the Federal Reserve Banks, even though they

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perform certain useful functions in behalf of the Federal Government, are nevertheless private institutions operated for the profit of private parties and that it was felt therefore that there was no justification for depriving the employees of such institutions of the rights guaranteed employees by the Act. Senator Smith also stated that he was introducing the bill and making his brief explanation on the floor of the Senate in the hope that by publicizing the suggested changes the Committee on Labor and Public Welfare would have the benefit of reactions, pro or con, from members of Congress, from labor and management, and from the general public, since it would be helpful to the Committee to ascertain whether amendments such as the ones provided by the bill would be acceptable to the parties chiefly concerned.

At the request of the Chairman, Mr. Vest reviewed the status of the Federal Reserve Banks under the Wagner Act, prior to 1947, and thereafter under the Taft-Hartley Act. He also commented on discussions which had taken place from time to time in that connection and reviewed arguments which had been made by the Board in the past as to why the Federal Reserve Banks should enjoy an exempt status.

During the course of Mr. Vest's comments Mr. Cherry, Legislative Counsel, entered the room.

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Mr. Cherry said that he had been in touch with the staff of the Senate Committee on Labor and Public Welfare, that S. 1785 was described as a "trial balloon", that he understood it did not represent any preconceived determination by the Committee as to whether the Federal Reserve Banks should or should not be exempt from the Taft-Hartley Act, and that, as indicated by Senator Smith's statement, the Committee hoped that the Board would make some representation to it with respect to the bill. He also said that the Senate Committee planned to hold no further hearings on the Taft-Hartley Act after today, that any statement the Board might send to the Committee would be handled in executive session, and that any communication from the Board should reach the Committee by next week.

There followed a discussion of what action the Board should take in the circumstances during which reference was made to the possible consequences of an elimination of the existing exemption of the Federal Reserve Banks from the Taft-Hartley Act. At the conclusion of the discussion it was suggested (1) that Mr. Vest prepare a draft of a letter which might be sent to the Senate Committee, together with a memorandum to be attached to the letter covering the matter in greater detail, and (2) that a telegram be sent to the Presidents of all Federal Reserve Banks for their information referring to the introduction

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of Bill S. 1785, quoting the pertinent portions of the statement made by Senator Smith, and stating that the Board was preparing a letter to be sent to Senator Smith early next week which would point out the fact that Federal Reserve Banks are not "private institutions operated for the profit of private parties" and would state the reasons why in the Board's opinion the Banks should continue to be exempt from the Taft-Hartley Act.

These suggestions were approved unanimously.

In connection with the above matter, Governor Robertson suggested that Mr. Cherry present to the staff of the House Committee on Education and Labor a copy of whatever communication might be sent by the Board to Senator Smith, and there was agreement with that suggestion.

Messrs. Vest and Cherry then withdrew from the meeting.

During an informal discussion relating to the public relations work performed by Mr. Thurston, Assistant to the Board, and his assistants, Messrs. Fauver and Molony, Governor Vardaman suggested that it might be helpful in the performance of such duties if Mr. Thurston or Mr. Fauver or Mr. Molony attended all meetings of the Board at which members of the staff were present, except when matters such as those relating to personnel were under consideration. It was understood that Chairman Martin would discuss Governor Vardaman's suggestion with Mr. Thurston.

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Governor Szymczak outlined the work accomplished to date on the plan for administration of salaries of Reserve Bank officers below the rank of President and First Vice President and referred to the steps for completing the remaining part of the task. He pointed out in this connection that before the salary ranges provided by the plan could be fixed by the Federal Reserve Banks it would be necessary for the Board to decide whether any change was to be made in the salaries of the Presidents and First Vice Presidents and what the upper limit would be on the range for the highest group of officers in each Bank.

Following a discussion, it was understood that these matters would be considered at the meeting of the Board on May 21, 1953.

The meeting then adjourned. During the day the following additional actions were taken by the Board with all of the members present:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on April 29, 1953, were approved unanimously.

Memorandum dated April 27, 1953, from Mr. Leonard, Director, Division of Bank Operations, recommending that the resignation of Alice C. Fry, Clerk-Stenographer in that Division, be accepted, effective May 22, 1953.

Approved unanimously.

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Letter to Mr. Wiltse, Vice President, Federal Reserve Bank of New York, reading as follows:

"In accordance with the request contained in your letter of April 27, 1953, the Board approves the designation of Frank A. Anderson and Donald C. McGean as special assistant examiners for the Federal Reserve Bank of New York."

Approved unanimously.

Letter to Mr. Pondrom, Vice President, Federal Reserve Bank of Dallas, reading as follows:

"In accordance with the request contained in your letter of April 20, 1953, the authorization heretofore given your bank to designate Dewey Carter Williams as a special assistant examiner is hereby cancelled.

"The Board approves the designation of Dewey Carter Williams as a special assistant examiner for the Federal Reserve Bank of Dallas for the specific purpose of rendering assistance in the examination of State member banks only."

Approved unanimously.

Telegram to Mr. Sproul, President, Federal Reserve Bank of New York, reading as follows:

"Reurtel. The special reports on borrowings and required reserves by principal borrowers which were submitted in response to Board's March 18 telegram were designed to supplement the summary figures furnished the Board daily on total member bank borrowings and total required reserves. Such reports, by identifying the banks obtaining the bulk of Federal Reserve discount accommodation, and by showing which of them have been quite regularly indebted to the Federal Reserve Banks and how much of their reserves came from borrowings, are helpful to the Board in

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"considerations of Federal Reserve credit policy and observing its impact upon member banks.

"The supplementary reports requested in Board's April 29 telegram, covering the period March to June, will permit the previous special reports to be kept up-to-date in important respects, pending consideration of possible improvements in or replacement of Schedules BD-4 and form F. R. 38. Suggestions for improvements in existing reports presumably will come out of the comprehensive study of the discount mechanism, of which you have been advised through Malcolm Bryan, as Chairman of the Presidents' Conference Committee on Research and Statistics, and by Board letter of April 29. As you know, representatives of the Federal Reserve Banks, including two from your Bank, are participating in the research aspects of the study.

"Board will, of course, discuss with Federal Reserve Banks any permanent changes in reports on discount operations suggested as a result of the study and will ask their cooperation in developing useful and effective reports. In the meantime, Board will welcome any suggestions from you as to the kinds of information, pertaining to the demands for and extension of Federal Reserve discount credit and related circumstances, that would be most helpful to the Board in its consideration of policy matters and could be reported regularly."

Approved unanimously.

Letter to Mr. Roger W. Jones, Assistant Director, Legislative Reference, Bureau of the Budget, Washington, D. C., reading as follows:

"This is in response to your letter of April 23, 1953, requesting the views of the Board regarding a draft bill which would amend the Rubber Act of 1948, as amended, to provide for the Disposal of Government-Owned Rubber-Producing Facilities, and for other purposes.

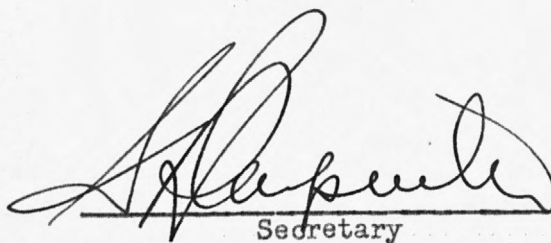
"Since it appears that the draft bill is related only slightly, if at all, to the credit and monetary

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"responsibilities of the Federal Reserve System, the Board has no comments to submit with regard to the proposal."

Approved unanimously.



Secretary