

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Saturday, September 23, 1944, at 10:30 a.m.

PRESENT: Mr. Ransom, Vice Chairman
Mr. McKee
Mr. Draper
Mr. Evans

Mr. Morrill, Secretary
Mr. Carpenter, Assistant Secretary

The action stated with respect to each of the matters hereinafter referred to was taken by the Board:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on September 22, 1944, were approved unanimously.

The minutes of the meeting of the Board of Governors of the Federal Reserve System with the Presidents of the Federal Reserve Banks held on September 22, 1944, were approved unanimously.

Memorandum dated September 20, 1944, from Mr. Morrill recommending that Mrs. Marylou Arason, who has been absent on maternity leave, be reemployed as a stenographer in the Secretary's Office, with no change in her present basic salary at the rate of \$1,800 per annum, effective October 1, 1944.

Approved unanimously.

9/23/44

-2-

Letter to the board of directors of the "Van Horn State Bank of Van Horn, Texas", Van Horn, Texas, stating that, subject to conditions of membership numbered 1 to 3 contained in the Board's Regulation H, the Board approves the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Dallas.

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

Under date of September 14, 1944, the Board received a letter from Mr. Rouse, Vice President of the Federal Reserve Bank of New York, which transmitted an application of The National City Bank of New York, New York, New York, for permission to establish branches at Cairo and Alexandria, Egypt, and a recommendation of the Federal Reserve Bank that the application be approved.

Accordingly, the following order was adopted by the Board:

"ORDER OF THE
BOARD OF GOVERNORS OF
THE FEDERAL RESERVE SYSTEM

September 23, 1944

"WHEREAS The National City Bank of New York has made application to the Board of Governors of the Federal Reserve System, pursuant to the provisions of section 25 of the Federal Reserve Act, for permission to establish branches at Cairo and Alexandria, Kingdom of Egypt; and

9/23/44

-3-

"WHEREAS it appears that the said bank may properly be authorized to establish branches at Cairo and Alexandria, Kingdom of Egypt;

"NOW, THEREFORE, IT IS ORDERED that The National City Bank of New York be and it hereby is authorized to establish branches at Cairo and Alexandria, Kingdom of Egypt, upon the condition that unless the branches hereby authorized are actually established and opened for business on or before October 1, 1945, and the Board of Governors of the Federal Reserve System advised in writing that the branches have been so established and opened for business, all rights hereby granted as to such branches shall be deemed to have been abandoned and the authority hereby granted as to them shall automatically terminate; but, if the branches shall have been established and opened for business on or before said date and the Board of Governors of the Federal Reserve System shall have been so advised in writing, the said bank may operate and maintain the same subject to the provisions of section 25 of the Federal Reserve Act."

In connection with the above matter, the following letter to Mr. Rouse was approved unanimously:

"Reference is made to your letter of September 14, 1944, transmitting the application of The National City Bank of New York, New York, for permission to establish branches at Cairo and Alexandria, Kingdom of Egypt.

"Pursuant to the provisions of section 25 of the Federal Reserve Act, the Board of Governors of the Federal Reserve System has authorized The National City Bank of New York to establish branches at Cairo and Alexandria, Kingdom of Egypt, upon the condition that the branches be actually established and opened for business on or before October 1, 1945 and the Board advised in writing that the branches have been so established and opened for business.

"There is enclosed herewith a certified copy of the order adopted by the Board authorizing the establishment of the branches which you will please deliver to the bank. There is also enclosed a copy of the order for your files.

9/23/44

-4-

"It will be appreciated if you will advise the Board of the date the branches are actually established and opened for business."

A letter to the Comptroller of the Currency in the following form was also unanimously approved:

"There is enclosed herewith for your information and files a copy of an order of the Board of Governors of the Federal Reserve System authorizing The National City Bank of New York to establish branches at Cairo and Alexandria, Kingdom of Egypt."

Telegram to Mr. Brainard, Chairman of the Federal Reserve Bank of Cleveland, reading as follows:

"Re tel September 20 regarding question whether Peoples-Pittsburgh Trust Company and First National Bank at Pittsburgh, Pittsburgh, Pennsylvania, may participate in nomination and election of class A and class B directors your bank. In view of last paragraph of section 2(c) of Banking Act of 1933 and the determination by Board in its letter of November 22, 1935 that Peoples-Pittsburgh Trust Company is not a holding company affiliate for any purposes other than those of section 23A of the Federal Reserve Act, it is opinion of Board that both member banks may vote in election of class A and class B directors of Federal Reserve Bank. This decision is based on the understanding that there has been no material change in the situation between such banks since November 22, 1935."

Approved unanimously.

Letter to Mr. E. H. Sherry, Home Improvement Company, Birmingham, Alabama, reading as follows:

"This is with further reference to your recent letter relative to the exemption from Regulation W of certain fuel conservation credits. You call attention to cases in which you believe the provisions of this exemption bring inconsistent results.

9/23/44

-5-

"We know, as you do, that there are differences of opinion as to the merits of the various forms of insulation and the best ways of applying them. We know, too, that the properties of some materials are more structural than insulating in character. You will appreciate our difficulty in developing a rule that would assist in the fuel conservation program and yet not interfere too much with our general objective of keeping credit from feeding the fires of inflation. We decided to draw the line at the wall of the house and we have found that all but a very few of the people interested in this matter agree that we have a rule that is easy to apply and that lets in most of the things that ought to be in and keeps out most that should not.

"Naturally such a rule will not be regarded by everyone as perfect. There are borderline cases about which equally competent people will disagree. It might well be questioned whether side-wall insulation with non-rigid material under the conditions you describe would be sufficiently desirable to be encouraged by an exemption from Regulation W, although we have heard strong arguments in behalf of this process by people who deny that it has all the handicaps you suggest. But the point which has been influential in our several reviews of the subject is that these borderline cases are not frequently found and do not greatly affect either the total amount of credit extended or the general competitive picture.

"You have also suggested that insulation board is just as expensive whether put on the inside or outside, and with this we are in general agreement. But if insulation board is put on the outside, it can't be left as the exterior surface. An additional layer of something like asbestos shingles or asphalt siding must be applied and here is where the additional expense comes in.

"While we cannot give you any indication of an early revision in the terms of the regulation as they relate to this field, we assure you that the matter is reviewed from time to time in the light of changing conditions."

Approved unanimously.

Letter prepared for the signature of Mr. Ransom to Honorable

9/23/44

-6-

Howard W. Smith, Chairman, Special Committee to Investigate Executive Agencies, House of Representatives, reading as follows:

"In reply to your letter of September 8, I am transmitting the following information regarding attorneys, economists and analysts employed by the Board of Governors of the Federal Reserve System.

"As of September 15, 1944, the Board had on its staff

	<u>Number</u>	<u>Total Basic Annual Salaries</u>
Attorneys	8	\$ 67,600
Economists	61	272,600

"In addition, there were three consultants who serve intermittently on a day-to-day basis and are paid only for the days actually worked.

"The Board has no attorneys, economists or analysts regularly assigned to (1) drafting legislation to be submitted to Congress, and (2) analyzing bills, measures and proposals pending before the committees of Congress.

"The Board's Legal Division does try generally to follow the legislative calendar in order to be able to advise the Board with respect to any pending measure in which the Board, because of its functions, would have an interest. The Legal Division also works on reports on pending measures requested by various committees of Congress. The attorney whose other assignments best fit him for that task generally does such work as is required in connection with a particular measure. On various occasions, the Division drafts language designed to accompany proposals which the Board has under consideration or wishes to recommend to Congress. In such cases the work is done by the available member of the Division most familiar with the particular subject and with the advice of representatives of other divisions of the Board's staff, whose responsibilities lie in the field under consideration.

"Our General Attorney advises me that the amount of work involved in such drafting and analysis is so negligible in comparison to the whole work of the Legal Division that he would be at a loss to allocate it in terms of salaries.

"A similar situation prevails with respect to the economists in the Board's Division of Research and Statistics, none of whom is specifically assigned to the task

9/23/44

-7-

"of drafting legislation or analyzing bills and proposals pending before Congress.

"The Division of Research and Statistics has several sections, each of which is expected to follow developments in its particular field. At times this involves analysis from the economic point of view of proposals before Congress. Such work, however, is but a minor part of the duties of the economists and is merely incidental to the broader phases of keeping abreast of economic development. I am advised that the work is so minor and incidental it is not practicable to allocate any definite proportion of salaries to it.

"I trust this furnishes the information which you desire."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrie
Secretary.

Approved:

Ronald Ransom
Vice Chairman.