

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, June 4, 1945, at 2:00 p.m.

PRESENT: Mr. Eccles, Chairman
Mr. Ransom, Vice Chairman
Mr. Szymczak
Mr. Draper
Mr. Evans

Mr. Carpenter, Assistant Secretary
Mr. Goldenweiser, Economic Adviser,
Division of Research and Statistics
Mr. Thomas, Director of the Division of
Research and Statistics
Mr. Gardner, Chief, International Section,
Division of Research and Statistics

At the beginning of the meeting Mr. Thomas B. McCabe, Army and Navy Liquidation Commissioner, was present and discussed informally with the members of the Board a draft of regulations, which were in course of preparation by his office, covering the disposition of surplus properties of the United States held abroad.

At the conclusion of the discussion Messrs. McCabe, Goldenweiser, Thomas, and Gardner withdrew from the meeting.

The action stated with respect to each of the matters herein-after referred to was then taken by the Board:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on June 2, 1945, were approved unanimously.

Memorandum dated June 1, 1945, from Mr. Thomas, Director of the Division of Research and Statistics, submitting the resignation of Eleanor M. Esser as a library assistant in that Division, effective as of the close of business on June 20, 1945, and recommending

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that the resignation be accepted as of that date and that appropriate payment be made for the accumulated and accrued annual leave remaining to her credit at that time.

The resignation was accepted as recommended.

Letter to Mr. Caldwell, Chairman of the Federal Reserve Bank of Kansas City, reading as follows:

"The Board of Governors approves the payment of salaries to the officers of the Federal Reserve Bank of Kansas City and its Branches effective June 1, 1945, at the following rates which are the rates fixed by your Directors, as submitted with your letter of May 12, 1945:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
H. G. Leedy	President	\$20,000
Henry O. Koppang	First Vice President	15,000
Charles O. Hardy	Vice President	12,000
D. W. Woolley	Vice President and Cashier	11,000
John Phillips, Jr.	Vice President	9,600
G. A. Gregory	Assistant Vice President	7,200
E. P. Tyner	Assistant Cashier	7,200
M. W. E. Park	Assistant Cashier	7,000
E. U. Sherman	Assistant Cashier	5,500
T. Bruce Robb	Manager, Statistical Division	6,600
C. E. Sandy	Auditor	6,600
F. W. Alexander	Assistant Cashier	4,800
<u>DENVER BRANCH</u>		
George H. Pipkin	Vice President	10,000
H. L. Stempel	Assistant Cashier	4,800
Hubert G. Duck	Assistant Cashier	4,000
<u>OKLAHOMA CITY BRANCH</u>		
Oliver P. Cordill	Vice President	8,500
R. L. Mathes	Cashier	6,000
L. B. Davenport	Assistant Cashier	4,800
F. R. Fritz	Assistant Cashier	4,800
<u>OMAHA BRANCH</u>		
L. H. Earhart	Vice President	10,000
John K. Friedebach	Cashier	5,000
U. S. Berry	Assistant Cashier	4,800
William P. Doran	Assistant Cashier	4,000

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"It is noted from your letter that Mr. S. A. Brown, Cashier, Denver Branch has resigned effective June 30, 1945, and that Mr. F. H. Larson has been appointed to succeed him.

"Accordingly, the Board of Governors approves the payment of salaries to Mr. Brown as Cashier, Denver Branch, at his present rate of \$5,700 per annum for the month of June 1945 and to Mr. Larson as Cashier of the Denver Branch at the rate of \$5,000 per annum, effective July 1, 1945, the rate fixed by the Board of Directors.

"The Board notes that you have been instructed by your Directors to take up with the Board again the matter of increases in the salaries of Mr. Leedy as President, and Mr. Koppang as First Vice President, and that you intend to do so within a short time when you will also acquaint the Board with the views of your Directors concerning the establishment of a new ceiling for the vice presidents in charge of the branches, and of the action which your Board of Directors desires to take in that connection.

"In your letter of May 12, you refer to the fact that in fixing the salary of Mr. Mathes, Cashier of the Oklahoma City Branch at \$6,000, it was overlooked that since this would involve the discontinuance of the supplemental compensation now being paid at the rate of \$156 per annum, the proposed increase would actually be only \$144 per annum and ask the Board to indicate whether it would approve a salary for Mr. Mathes of \$6,300, if voted by the Directors. A salary of \$6,300 would result in a net increase of \$444 as compared with the original intent of an increase of \$300. However, the Board approves, effective June 1, 1945, a salary for Mr. Mathes at any figure between \$6,000 and \$6,300, inclusive, which your directors may fix. Please advise the Board if any change is made in the proposed salary of \$6,000 for Mr. Mathes.

"It is believed that the increase for Mr. Robb will require certification under the salary stabilization regulations and, accordingly, his salary is approved subject to the receipt of an appropriate certificate in support of the increase.

"It is noted that the salaries as fixed by your directors are for the period June 1, 1945 to December 31, 1945, inclusive, except the salaries of Messrs. Leedy and Koppang which are to continue at their present levels,

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"pending action by your board and the Board of Governors. In accordance with the established procedure of approving salaries for the regular salary year, the approval of salaries as given herein, except for the President and First Vice President whose salaries are approved to the expiration of their terms, February 28, 1946, is for the period ending May 31, 1946, if the directors extend the salaries at the same rates for the periods indicated. It is understood, of course, that if for any reason, changes are deemed appropriate before the expiration of that period, the Board will consider such proposals whenever submitted."

Approved unanimously.

Telegram to Mr. Peterson, Vice President of the Federal Reserve Bank of St. Louis, reading as follows:

"Board extends to July 5, 1945, time within which Switz City Bank, Switz City, Indiana, may accomplish membership."

Approved unanimously.

Letter to the Federal Deposit Insurance Corporation reading as follows:

"Pursuant to the provisions of section 12B of the Federal Reserve Act, as amended, the Board of Governors of the Federal Reserve System hereby certifies that the Harlingen State Bank, Harlingen, Texas, became a member of the Federal Reserve System on June 1, 1945 and is now a member of the System. The Board of Governors of the Federal Reserve System further hereby certifies that, in connection with the admission of such bank to membership in the Federal Reserve System, consideration was given to the following factors enumerated in subsection (g) of section 12B of the Federal Reserve Act:

1. The financial history and condition of the bank,
2. The adequacy of its capital structure,
3. Its future earnings prospects,

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- "4. The general character of its management,
5. The convenience and needs of the community to be served by the bank, and
6. Whether or not its corporate powers are consistent with the purposes of section 12B of the Federal Reserve Act."

Approved unanimously.

Letter to Mr. James A. Garfield, Chief of the Surplus War Aircraft Division, Defense Plant Corporation, Washington, D. C., reading as follows:

"Receipt is acknowledged of your letter of May 30, 1945, regarding the possible effect of Regulation W upon the sale by the RFC, acting through Defense Plant Corporation, of certain surplus war aircraft for which regulations already provide that they may be disposed of by cash sale, lease, or instalment sale.

"The class of aircraft to which you refer consists in transport aircraft of 5,000 pounds gross weight or more having a horsepower range of 450 to 2,400 with type prices ranging from \$12,000 to \$100,000 but some of which will be sold on a price tag basis beginning at \$3,900 after allowances are made for conversion, overhaul and repair. You state that aircraft of 17,500 pounds gross weight and over are primarily suitable for transportation of passengers or cargoes on principal commercial routes, and that aircraft of less than 17,500 but more than 5,000 pounds gross weight are primarily suitable for feeder lines and executive transport uses.

"The Regulation applies to 'instalment sales' which are defined as sales of 'any consumers' durable or semi-durable good listed in section 13(a)' of the regulation. Footnote 1 of the regulation reads as follows:

'The Executive Order defines "consumers' durable good" as including "any good, whether new or used, which is durable or semi-durable and is used or usable for personal, family or household purposes, and any service connected

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"with the acquisition of any such good or of any interest therein." Section 13(a) lists the consumers' durable and semi-durable goods within the scope of the regulation.'

"It is the Board's opinion that the transport aircraft referred to in your letter are not consumers' durable goods within the meaning of this definition, and therefore are not 'listed articles' within the scope of the regulation. Consequently, sales of such aircraft are not subject to the regulation.

"As to the other class of aircraft to which you refer -- classified by you as 'personal type' -- the foregoing opinion would not appear to be applicable, and if they are to be sold on terms more liberal than those now provided by Regulation W, a change in the regulation would be required. We are studying the application of the regulation in this field and shall want to consult with you further on this question."

Approved unanimously.

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

"Inquiries have been received as to the effect of Amendment No. 16 to Regulation W with respect to disasters occurring before the effective date of the Amendment.

"In the opinion of the Board, no extension of credit made after June 11, 1945, the effective date of the Amendment, will be exempted by section 8(g) of Regulation W if the disaster occurred more than 6 months before the extension of credit, regardless of whether the disaster occurred before or after June 11, 1945."

Approved unanimously.

Memorandum addressed to the Board by Mr. Draper under date of May 30, 1945, reading as follows:

"The House Small Business Committee before which Secretary Wallace testified on Tuesday, May 29 with

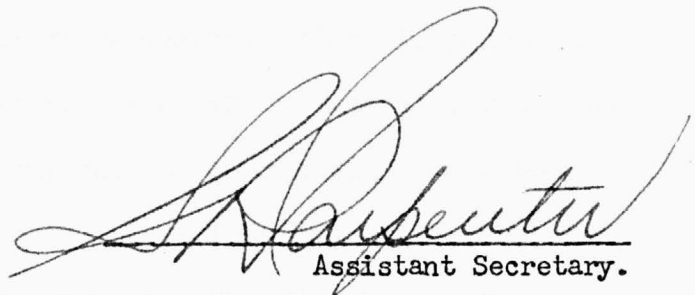
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"reference to medium and long-term credit has asked the Secretary if he could find out in general terms what had been the experience of the Federal Reserve System with Section 13-b loans since its inception to the present time. In view of the fact that Secretary Wallace is anxious to reply, I am wondering if the Board would agree to some such general statement as the following: 'Since the enactment of Section 13-b in 1934 up to January 1, 1945, notwithstanding the severe restrictions of that Section upon the terms and kinds of loans which could be made, the Federal Reserve System has made loans, commitments and participations of approximately \$525-million. After full charges for all expenses including overhead, etc., the record shows that the entire operation is in the black. The System foresees no large amount of unsettled losses which will materially alter this picture.'"

The statement referred to in the memorandum was approved unanimously.

Thereupon the meeting adjourned.


Assistant Secretary.

Approved:


Chairman.