

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, August 24, 1945, at 10:30 a.m.

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

Mr. Carpenter, Secretary
Mr. Connell, General Assistant,
Office of the Secretary
Mr. Morrill, Special Adviser
Mr. Thurston, Assistant to the Chairman

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

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on August 23, 1945, were approved unanimously.

Telegrams to Messrs. Clouse and Keesee, Secretaries of the Federal Reserve Banks of Cleveland and Richmond, respectively, Mr. Dillard, Vice President of the Federal Reserve Bank of Chicago, Mr. Stewart, Secretary of the Federal Reserve Bank of St. Louis, Mr. Ziemer, Vice President of the Federal Reserve Bank of Minneapolis, Mr. Johns, Secretary of the Federal Reserve Bank of Kansas City, Mr. Gilbert, President of the Federal Reserve Bank of Dallas, Mr. Earhart, Vice President of the Federal Reserve Bank of San Francisco, stating that the Board approves the establishment without change by the Federal Reserve Banks of St. Louis and San Francisco on August 21, and

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by the Federal Reserve Banks of Cleveland, Richmond, Chicago, Minneapolis, Kansas City, and Dallas on August 23, 1945, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Memorandum dated August 21, 1945, from Mr. Thomas, Director of the Division of Research and Statistics, recommending that the temporary appointment of Miss Marilyn J. Turkal, a clerk in that Division, be extended for a period of not to exceed two months when her present three-month appointment expires at the close of business September 17, 1945, and that her basic salary continue at the rate of \$1,704 per annum, plus supplemental compensation of \$255.60 for overtime on the basis of a 44-hour workweek. The memorandum stated that because of the nature of her appointment Miss Turkal would continue to be excluded from membership in the Federal Reserve Retirement System.

Approved unanimously.

Letter prepared for the signature of Vice Chairman Ransom to Mr. Robert R. Nathan, Chairman of the Reconversion Working Committee, Washington, D. C., reading as follows:

"This is in response to your letter of August 23 in which you stated that at the last meeting of the Steering Committee of the Reconversion Working Committee it was decided to appoint a Subcommittee on Area Statistics, of which Mr. Philip M. Hauser of the Commerce Department will be Chairman, and on which the

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"Federal Reserve, in addition to Labor, National Housing Agency, War Manpower Commission, and War Production Board, together with the Bureau of the Budget (Observer) will be represented.

"We shall be glad to cooperate and to that end Mr. John O. Bergelin, Economist in the Board's Division of Research and Statistics, who is the head of the Regional Research Section of the Division, will serve as the Board's representative on this Subcommittee. We are advising Mr. Hauser accordingly."

Approved unanimously.

Letter to Mr. George W. Taylor, Chairman of the National War Labor Board, reading as follows:

"This refers to the telephone conversation between Miss Asia of your Board's staff, and Messrs. Leonard and Cherry of our staff in which we were advised that the National War Labor Board is prepared to revoke General Order No. 19 and inquiring whether the cancellation of such order would be agreeable to the Board. It is understood that this action is taken under Executive Order No. 9599 dated August 18, 1945.

"In connection with this matter it is understood that employers may, by voluntary action, make wage or salary increases without the necessity of obtaining approval therefor, upon the condition that such increases, in the case of products or services being furnished under contract with a Federal procurement agency, will not increase the costs to the United States.

"In connection with the applicability of this provision to Federal Reserve Banks, under the provisions of the Federal Reserve Act and other statutes, the Federal Reserve Banks act as fiscal agents for several Government agencies, such as the Treasury Department, Reconstruction Finance Corporation, Commodity Credit Corporation, and War and Navy Departments. In all cases the work performed by the Federal Reserve Banks for the Government Departments and agencies is pursuant to the provisions of the law. The Federal Reserve Banks receive reimbursement from the respective agencies for most of the costs incurred in acting as fiscal agents. In no case are the services contracted

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"for and in most cases there is no written agreement between the Government agency and the Federal Reserve Banks. The few agreements which have been entered into were for the purpose of covering certain details of operation and methods of reimbursement. In no case, in our opinion, are the services rendered under the fiscal agency relationships 'furnished under contract' within the meaning or intent of Executive Order No. 9599.

"In the light of the foregoing, it is assumed that under the provisions of Executive Order No. 9599 and National War Labor Board Order No. 40, voluntary increases in wages and salaries of employees of Federal Reserve Banks may be made without the approval of the National War Labor Board, even though all or part of the salary of the employee may be reimbursed by the Government on account of fiscal agency functions. Accordingly, the cancellation of General Order No. 19 would be entirely agreeable to the Board of Governors."

Approved unanimously.

Telegram to Mr. Peyton, President of the Federal Reserve Bank of Minneapolis, stating that, subject to conditions of membership numbered 1 to 3 contained in the Board's Regulation H, the Board approves the application of the "Billings State Bank," Billings, Montana, for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Minneapolis. The telegram requested that the Federal Reserve Bank advise the applicant bank of the Board's approval of the application and conditions of membership prescribed, together with necessary instructions as to the procedure for accomplishing membership, and stated that a letter containing detailed advice regarding such approval would be forwarded to the applicant bank through the Reserve Bank.

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Approved unanimously, together with a letter to the Federal Deposit Insurance Corporation, reading as follows:

"The Board of Governors of the Federal Reserve System today approved the application of the Billings State Bank, Billings, Montana, for membership in the Federal Reserve System subject to compliance with certain conditions. The bank has not yet opened for business and it proposes to open as a member bank."

Letter to The National City Bank of New York, New York, New York, reading as follows:

"This refers to the letter of August 14, 1945, from Vice President C. V. Sheehan of your bank requesting an extension of the time within which you may establish branches at Cairo and Alexandria, Kingdom of Egypt. The Board of Governors of the Federal Reserve System granted its permission on September 23, 1944, for the establishment of such branches with a proviso that they be established and opened for business on or before October 1, 1945.

"The Board of Governors of the Federal Reserve System extends to October 1, 1946, the time within which The National City Bank of New York may establish and open for business branches at Cairo and Alexandria, Kingdom of Egypt, in accordance with the provisions of its Order of September 23, 1944."

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

Letter to Mr. Swanson, Vice President of the Federal Reserve Bank of Minneapolis, reading as follows:

"Reference is made to your letter of August 16, 1945 and to previous correspondence in regard to the absorption, on June 16, of the Kootenai Valley State Bank, Troy, Montana, by the First State Bank of Libby, Libby, Montana.

"It is understood that the deposit liabilities of the Kootenai Valley State Bank, which amounted to approximately

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"\$390,000 at the time of the examination of the bank as of April 28, 1945, were assumed by the First State Bank of Libby and that the assets acquired by the Libby bank in the transaction consisted entirely of cash assets. In the circumstances, the Board concurs in your conclusion that there was no change in the general character of the business or in the scope of the corporate powers exercised by the First State Bank of Libby within the meaning of condition of membership numbered 1 to which it is subject.

"No reference is made in your letter as to whether your counsel was satisfied as to the legal aspects of the transaction or whether approval of the State authorities was obtained, and your advice on these two points will be appreciated. In this connection your attention is called to the Board's letters X-7482 and X-9743 (Loose-Leaf Service #3490 and #3537)."

Approved unanimously.

Letter prepared for the signature of Vice Chairman Ransom to Mr. Whitney Stone, President of Stone & Webster, Inc., New York, New York, reading as follows:

"This is in reply to your letter of August 2 in regard to a plan which your Corporation has had under consideration for furnishing certain appliances to consumers under a leasing arrangement. You requested us to point out any problems involved therein under Regulation W or the Executive Order under which it was adopted.

"We understood from your very excellent presentation that your plan was tentative and subject to modification. As presented in your letter, it might not be subject to the Regulation in its existing form. However, the exact import of the plan, for example, as to the conditions under which the user might at some stage become the owner, would be governed by the documents as finally adopted, which were not submitted with your letter, and therefore any opinion expressed at this time would necessarily be subject to review.

"Moreover, it is apparent that there will be rapid

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"changes in the situation as to the production of consumer goods for which there is a pent-up demand, which cannot be appraised with assurance at this time, and the question whether and to what extent the Regulation or the Executive Order under which it was drawn should be modified in one direction or another can only be determined in the light of later developments."

Approved unanimously.

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

"This will acknowledge with thanks your letter of August 20 informing us that Messrs. Abdul Kasam Golshan-Bozorg and Enayetullah Neshvad of the Bank Melli Iran, were making your Bank a visit. We hope you will assure these gentlemen that if they wish to visit Washington, we trust they will not fail to let us know, for we shall be happy to have them call at the Board's offices."

Approved unanimously.

Memorandum dated August 22, 1945, from Messrs. Smead and Bethea, Directors of the Divisions of Bank Operations and Administrative Services, respectively, reading as follows:

"In view of numerous additions to the Par List this year, particularly since June 30 in the States of Nebraska and Tennessee, it is recommended that the 'Federal Reserve Par List' be reprinted in full as of September 1, 1945, instead of issuing the usual cumulative monthly supplement as of that date; and that, in the discretion of the Division of Bank Operations, the scheduled January 1946 annual issue be omitted entirely or printed in a later month of the year, depending on the number of additions to and withdrawals from the Par List. These recommendations are made subject to the receipt of favorable replies from the Federal Reserve Banks in response to the attached telegrams asking for their views on the proposal.

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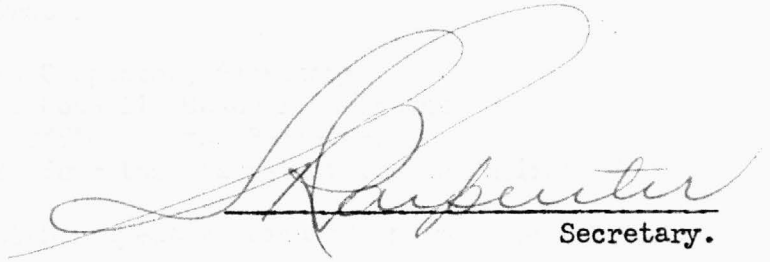
"The last annual issue of the Par List cost \$1,626.22. The cost of reprinting now will not be known unless and until a definite bid is requested and received from the printer, but presumably the cost will not be much greater. However, in the last two months there have been a number of requests for additional copies of the January 1945 Par List, which have been scaled down at our suggestion because of the limited stock remaining. Consequently, it is quite possible that the Reserve Banks and member banks will require more copies than have been furnished in the past. In the light of replies from the Federal Reserve Banks to the attached telegrams, it may be desirable, for example, to order as many as 30,000 copies of the recommended September 1 reprint, or 5,000 more than the number of copies of the Par List printed in January 1945. If so, the cost will be increased somewhat.


"The total annual cost of printing the Par List and monthly supplements, including shipping and mailing charges, is about \$2,000. If the recommended September 1 reprint is approved, however, the cost this year will be about \$4,000. Under existing practice this cost would be treated as a reimbursable expense and billed against the several Federal Reserve Banks after the end of the year, on the basis of the number of copies of the Par List sent to the respective Federal Reserve districts. Some districts, of course, receive many more copies of the Par List than do others. In our opinion the cost of the Par List, including reprints and supplements, is not large enough to justify allocation of the cost to the respective Federal Reserve Banks. Accordingly, we recommend that the cost of printing and mailing the Par List, including reprints and supplements, beginning January 1945, be absorbed in the Board's expenses, and that the Board authorize an increase in the appropriate account classifications of the budget of the Division of Administrative Services to cover this expense for the current year. If this recommendation is approved, provision will be made for similar expenditures in 1946, and each year thereafter, in the regular annual budget of the Division of Administrative Services."

Approved unanimously.

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Thereupon the meeting adjourned.


Secretary.

Approved: 
Chairman.