

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, September 7, 1945, at 11:00 a.m.

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

Mr. Carpenter, Secretary
Mr. Hammond, Assistant Secretary
Mr. Connell, General Assistant,
Office of the Secretary
Mr. Morrill, Special Adviser
Mr. Thurston, Assistant to the Chairman
Mr. Smead, Director of the Division of
Bank Operations
Mr. Thomas, Director of the Division
of Research and Statistics
Mr. Vest, General Attorney
Mr. Wyatt, General Counsel

There were presented telegrams to Mr. Treiber, Secretary of the Federal Reserve Bank of New York, Mr. Davis, Vice President of the Federal Reserve Bank of Philadelphia, Messrs. Clouse and Keese, 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. Caldwell, Federal Reserve Agent of the Federal Reserve Bank of Kansas City, Mr. Gilbert, President of the Federal Reserve Bank of Dallas, and Mr. Earhart, Vice President of the Federal Reserve Bank of San Francisco, stating that the Board approves

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the establishment without change by the Federal Reserve Banks of St. Louis and San Francisco on September 4 and by the Federal Reserve Banks of New York, Philadelphia, Cleveland, Richmond, Chicago, Minneapolis, Kansas City, Dallas, and San Francisco on September 6, 1945, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

There was presented a draft of letter addressed to the Presidents of the Federal Reserve Banks on construction projects of the Banks in which the view was expressed that no such projects not now under way should be undertaken by the Reserve Banks until such time as it was clear that labor and materials were readily available and the timing of the construction would be in harmony with the postwar building program. Reference was also made in the letter to the existing statutory limitation upon the amount which Reserve Banks may spend in erecting branch buildings, and it was stated that while the Board felt that the limitation should be removed, it was not believed that the present was the appropriate time to take steps toward that end.

There was agreement that the letter was generally satisfactory, except that the last paragraph should be revised to state that the Board was of the opinion that the statutory limitation on branch

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buildings should be removed, and that a bill to that end would be prepared and submitted to the appropriate committees of Congress at the first opportunity.

Upon motion of Mr. Szymczak, it was agreed that the letter should be revised and re-submitted in accordance with the discussion at this meeting.

Mr. Szymczak referred to his memorandum to the Board dated August 30, submitting the request of the Federal Reserve Bank of Cleveland for approval of the purchase at a cost of between \$275,000 and \$350,000 of a site across the street from the rear of the Pittsburgh Branch building for the erection of an annex.

During the discussion it was suggested that before the Board reached a decision on this matter, there should be further investigation to determine the possibility of (1) a long-term lease for space in the adjoining Gulf Oil Building or (2) construction of a building on the property owned by the Pennsylvania Railroad Company, the upper floors of which, above the Company's terminal, would be used by the Branch.

It was understood that Mr. McKee and Mr. Szymczak would discuss these possibilities with Mr. Gidney and, if necessary, with the Pittsburgh Branch Building Committee and that after these possibilities had been fully explored Mr. Szymczak would re-submit the matter to the Board with a recommendation as to the action which should be taken.

Mr. Evans reported that during his recent trip to the West

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Coast the directors of the Portland Branch raised the question of the inadequate housing of the branch and stated that they wanted to build a branch building and had taken the matter up with the head office but had not had any encouragement. He also said that it seemed to him that the Federal Reserve Bank of San Francisco should decide either to discontinue the branch, which was not likely, or make plans to provide it with an adequate building at the appropriate time. In the discussion of this matter it was stated that it was one on which the first step should be taken by the Federal Reserve Bank of San Francisco and that any decision reached should be in accordance with the policy adopted by the Board as to when further building operations of the Federal Reserve Banks should be undertaken.

Mr. Evans also stated that while he was in the West several bankers expressed the view that it would be advisable for the Board to make a statement similar to that issued in September 1939 that the Federal Reserve Banks would continue to make advances on Government securities to member and nonmember banks at par at the current discount rate.

Chairman Eccles questioned the desirability of such a statement when the Government securities market was as strong as it is at the present time and the banks were being discouraged from making future purchases of long-term issues at the expense of driving the yield down. He also said after the Victory Loan Drive was over the

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question of discontinuing the preferential rate would be taken up again and if the rate were eliminated consideration could be given at that time to a statement along the lines suggested. Mr. Evans said that such an arrangement would be satisfactory to him.

Mr. Ransom referred to a memorandum addressed by him to the Board under date of September 5, which had been circulated among members of the Board, regarding the pending reorganization bills. Mr. Ransom reported that Comptroller General Warren in testifying before the House Committee on Executive Departments on H. R. 3325 stated that he was strongly in favor of the Senate Reorganization Bill which does not exempt any agency or department from reorganization except the General Accounting Office. Mr. Ransom felt that it would be advisable for the Board to go on record with the appropriate Congressional Committees as approving the general objective of both bills, calling attention to the Board's annual report for 1938, and stating that it was the Board's view that no agency should be exempted except the General Accounting Office.

Mr. Eccles concurred in Mr. Ransom's views.

While Mr. Draper agreed with that position he felt that it might be advisable to add that if any exemptions were to be allowed the Board should be included as an exempted agency.

Mr. McKee was opposed to the Board going on record in connection with this matter in the absence of a request.

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At the conclusion of the discussion it was understood that a letter would be prepared along the lines suggested by Mr. Ransom for consideration by the Board.

Mr. Ransom also referred to his memorandum of September 5, to the Board on the subject of statutes of interest to the Board which have an expiration date or time limit. After discussion it was agreed that no action was called for by the Board on any of the matters referred to in the memorandum with the possible exception of the authority of the Reserve Banks to purchase Government securities direct from the Treasury up to 5 billion dollars.

It was agreed that if, as suggested in the President's message to Congress yesterday, the Second War Powers Act were extended for a further period no action was called for at this time, but if the Second War Powers Act is not extended the Board should suggest to the appropriate committees of Congress that the authority for direct purchases by the Federal Reserve Banks of Government securities up to 5 billion dollars should be made permanent, and Mr. Vest was asked to draft an amendment to the law for this purpose.

Mr. McKee referred to the informal conversation which Chairman Eccles and Mr. Ransom had had with Mr. Bell and the Comptroller of the Currency with respect to applications from the Bank of America National Savings & Trust Association, San Francisco, California, for

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permission to establish additional branches and to the pressure the Comptroller was under to grant the permission. Mr. McKee said he thought that authorization to establish these branches would violate the agreement between the Board, the Federal Deposit Insurance Corporation, and the Comptroller not to permit any further expansion in the number of offices operated by banks in the Transamerica group. He understood that the Federal Deposit Insurance Corporation was not in favor of permitting any departure from the agreement. He also said that he had gone over the memorandum left with the Chairman and thought that inasmuch as the matter had been taken up with the Board, the Board's position in the matter should be stated to Messrs. Vinson, Bell, and Delano. Mr. Eccles stated that he had gone over the memorandum and felt that in some particular instances it might be difficult for the Comptroller's Office to justify denying permission. In the discussion which followed Mr. McKee stated that he would not favor granting permission for the Bank of America to open any of the proposed branches and that he thought the situation should be explained to Secretary Vinson and his attention called particularly to the interest of the Department of Justice in Transamerica's operations. Chairman Eccles agreed that it would be well to mention to Mr. Vinson the interest of the Department of Justice in the matter.

At this point Messrs. Smead, Thomas, Vest, and Wyatt withdrew from the meeting.

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The action stated with respect to each of the matters hereinafter 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 September 6, 1945, were approved unanimously.

Memorandum dated September 6, 1945, from Mr. Bethea, Director of the Division of Administrative Services, recommending that the temporary appointment of Mrs. Ellen R. Watson, a cafeteria helper in that Division, be extended for a period of not to exceed two months with no change in her present salary of \$1,440 per annum, effective at the expiration of her present temporary appointment on September 9, 1945. The memorandum stated that it was not contemplated that Mrs. Watson would become a member of the retirement system during her temporary appointment.

Approved unanimously.

Memorandum dated September 6, 1945, from Mr. Paulger, Director of the Division of Examinations, submitting the resignation of Miss Audrey L. Moye, a stenographer in that Division, and recommending that her resignation be accepted as of the close of business October 3, 1945, with the understanding that a lump sum payment will be made for the annual leave remaining to her credit at that time.

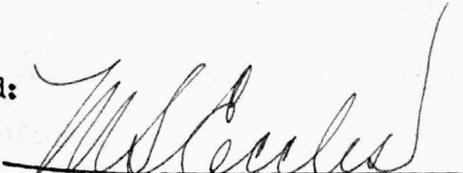
The resignation was accepted as recommended.

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Thereupon the meeting adjourned.


Secretary.

Approved:


Chairman.