

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, September 13, 1945, at 11:00 a.m.

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

Mr. Hammond, Assistant 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 September 12, 1945, were approved unanimously.

Memorandum dated September 10, 1945, from Mr. Thomas, Director of the Division of Research and Statistics, recommending that the Board authorize the return of Mrs. Ruth F. Gould, a clerk in that Division who has been on a part-time schedule since April 1, 1945, to full-time employment on a temporary indefinite basis with the present equivalent of her former full-time basic salary, \$1,902 per annum, effective as of the beginning of the first pay roll period following approval by the Board. The memorandum stated that it was assumed that Mrs. Gould would continue her membership in the Board of Governors Plan

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of the Federal Reserve Retirement System.

Approved unanimously, effective September 23, 1945.

Memorandum dated September 12, 1945, from Mr. Bethea, Director of the Division of Administrative Services, submitting the resignation of John V. Lewis, a chauffeur in that Division, and recommending that the resignation be accepted effective as of the close of business September 12, 1945, with the understanding that a lump sum payment will be made for any accrued annual leave remaining to his credit at that time.

The resignation was accepted as recommended.

Memorandum dated September 7, 1945, from the Personnel Committee submitting the name of W. S. Zehrunge of Oil City, Pennsylvania, for appointment as a director of the Pittsburgh Branch of the Federal Reserve Bank of Cleveland for the unexpired term ending December 31, 1947, and recommending (1) that the Chairman of the Federal Reserve Bank of Cleveland be requested to ascertain informally whether Mr. Zehrunge would accept the appointment and (2) that the appointment be tendered if he will accept.

Approved unanimously.

Letter to Mr. Ronald E. Kaehler, President of the San Francisco Stock Exchange, San Francisco, California, reading as follows:

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"This is in reply to your letter of September 6, relating to recent amendments to the Board's Regulation T.

"It is true, as you have surmised, that we have received some protests against the rules that apply to restricted accounts, but up to the present time we have not felt that the case for changing any of the Board's margin rules is at all convincing. At this critical time, a basic margin requirement of at least 75 per cent seems to be necessary or appropriate to restrain speculation, as part of the Government's program of economic stabilization. So also, the rules relating to restricted accounts seem to be justified on similar grounds. If the margin customer having such an account wishes to recover his freedom of action he can do so by reducing the amount of credit he is using to the same level as is now permissible for the account of a new customer. That seems no more than fair. It is true that a customer having a restricted account may be tempted to make any new commitments with another broker, and this is not in itself desirable, but on the other hand it is to be remembered that he is not required to bring his old account up to the new level. So far as this objection is concerned, it will be obvious to you that it would disappear if Regulation T were to be so amended as to require old accounts to be so margined.

"We are familiar, of course, with the fact that customers' debit balances, which now amount altogether to about \$1,150 million, are much smaller in the aggregate than they have been at times in the past. Even so, however, they have increased by more than 100 per cent in the past three years and by more than \$200 million in the last eight months. These facts are to be viewed in the light of the question why, at a time when the volume of money in the hands of the public is so unprecedented, the securities markets should be using any credit at all. It is to be remembered also that the credit in use in the stock market turns over and over, and that in some circumstances this may itself represent excessive use of credit.

"We have never been much impressed by the argument that high margin requirements force customers into the lower-priced and more speculative stocks. Pressed to its logical conclusion, this argument would seem to call for

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"putting all trading in such stocks, and possibly all trading in all stocks, on an outright cash basis."

Approved unanimously.

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

"There is enclosed a copy of a memorandum signed by Lt. Commander George W. Cook, Jr., Chief of Finance Division, Navy Department, delegating certain additional authority to the Federal Reserve Banks in connection with Regulation V loans.

"You will note that this delegation of authority is substantially the same as that contained in the War Department's memorandum of September 5, enclosed with our letter S-869 of September 6, 1945.

"We have been advised informally by the Navy Department, and also by the War Department, that the grant of extensions of maturity for periods not exceeding 60 days are to be subject to the conditions set forth in paragraph 5 of the Navy Department's memorandum S-867-a of August 17, 1945."

Approved unanimously.

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

"The imminent return of the Navy to a peacetime status and the anticipated substantial demobilization of military personnel have made it advisable for the Department to consider at this time appropriate ways in which to further delegate some of its duties and responsibilities with respect to the guaranteed loan program. As a first step in this direction we sent you today a memorandum dated September 11 signed by Lt. Commander George W. Cook, Jr., Chief of Finance Division, in which the Navy Department delegated to the Reserve Banks authority with respect to its Regulation V loans similar to that delegated to the Reserve Banks in the War Department's memorandum of September 5, 1945,

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"with respect to War Department Regulation V loans.

"With a view to broadening this delegation, there are enclosed for your consideration drafts of documents prepared by the Finance Division of the Navy Department which would further delegate certain authority with respect to both V and T loans. While no determination has been made as to whether or not such a further delegation will be made, and if so, when, it is the desire of the Navy to obtain the suggestions of the Reserve Banks on these proposals as soon as possible. Accordingly, it is requested that your comments be submitted in time to reach the Board on or before September 24, 1945."

Approved unanimously.

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

"As you know, the Export-Import Bank Act of 1945, which was approved on July 31, 1945, provides that the Chairman of the Board of Governors of the Federal Reserve System shall be a member of the Advisory Board of the Export-Import Bank. The Chairman of the Board of Governors is also a member of the National Advisory Council established by the Bretton Woods Act. The Council is given the responsibility under the Bretton Woods Act for coordinating the activities of all agencies of the Government making foreign loans or engaging in foreign financial activities, including the Export-Import Bank.

"In the course of discussions with officials of the Export-Import Bank the suggestion was made that the Federal Reserve System assist the Export-Import Bank in bringing its facilities to the attention of commercial banks all over the country. The Board of Governors believes that it is advisable to assist the Export-Import Bank in this way and that in the course of time there may be a number of other functions which the Federal Reserve Banks may perform for the Export-Import Bank. A general policy statement of the Export-Import Bank will be issued within the next few days outlining the nature of the Bank's activities and the procedures employed by it. This statement, at the suggestion of the Board of Governors, mentions the fact that further information on the policies and procedures of the Export-Import Bank may be obtained from

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"the Federal Reserve Banks.


"To provide such information it will probably be necessary for each of the Reserve Banks to appoint one member of its staff who shall be responsible for familiarizing himself with the activities of the Export-Import Bank. Copies of available material on the activities of the Export-Import Bank will be sent to each Reserve Bank and arrangements will be made for seeing that such material is currently made available to each of the Federal Reserve Banks either directly by the Export-Import Bank or through the Board of Governors. If any questions arise concerning the activities or procedures of the Bank they may be addressed to the Board and if it seems desirable arrangements may be made for meetings in Washington with members of the Board's staff and members of the staff of the Export-Import Bank."

Approved unanimously.

Thereupon the meeting adjourned.


Assistant Secretary.

Approved:


Chairman.