

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, September 21, 1945, at 10:30 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
 Mr. Smead, Director of the Division
 of Bank Operations
 Mr. Leonard, Director of the Division
 of Personnel Administration
 Mr. Thomas, Director of the Division
 of Research and Statistics
 Mr. Vest, General Attorney
 Mr. Wyatt, General Counsel

There were presented telegrams to Messrs. Treiber, McCreedy, and Clouse, Secretaries of the Federal Reserve Banks of New York, Philadelphia, and Cleveland, respectively, Mr. Dillard, Vice President of the Federal Reserve Bank of Chicago, Mr. Stewart, Secretary of the Federal Reserve Bank of St. Louis, 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 approved the establishment without change by the Federal Reserve Banks of St. Louis and San Francisco on September 18, and by the Federal Reserve Banks of New York, Philadelphia, Cleveland, Chicago, Dallas,

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and San Francisco on September 20, 1945, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Mr. Leonard referred to the case of Miss Ruth Giese of the Division of Research and Statistics whose services had been made available to the State Department on a reimbursable basis for work in connection with the United Nations' Conference at San Francisco. The Board had submitted a voucher to the State Department for \$565.00 covering Miss Giese's services but the State Department had advised that its Budget Office had held that it was without authorization to make reimbursement. However, the State Department suggested that an arrangement could be worked out whereby Miss Giese could be placed, retroactively, on the pay roll of the State Department and a check could be issued to her which she could then endorse over to the Board. Mr. Leonard said that in checking with other Government agencies, particularly with the Bureau of the Budget and the Federal Power Commission, most of the help borrowed from those agencies by the State Department in connection with the United Nations' Conference had been on a non-reimbursable basis, and that he also understood that private organizations had contributed the services of employees on a non-reimbursable basis.

The matter was referred to the Personnel Committee with authority to make whatever disposition of the matter they deemed appropriate in the circumstances.

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At this point Messrs. Smead, Leonard, Thomas, Vest, and Wyatt 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 September 20, 1945, were approved unanimously.

Memorandum dated September 19, 1945, from Mr. Paulger, Director of the Division of Examinations, recommending that Miss Nancy Chelberg be reemployed as a stenographer in that Division on a temporary basis for an indefinite period with salary at the rate of \$1,860 per annum, which she was receiving at the time of her resignation September 14, 1945, effective as of the date upon which she enters upon the performance of her duties. The memorandum stated that, since the lump sum payment for annual leave to her credit at the time of her resignation had not been made, it was assumed that such payment will not be made and that the annual and sick leave standing to her credit as of September 14, 1945, will be reinstated at the time of her reemployment.

Approved unanimously.

Memorandum dated September 17, 1945, from Mr. Parry, Director of the Division of Security Loans, submitting the resignation of Theodore H. Smith, Special Assistant in that Division, and recommending that the resignation be accepted as of the close of business September 24, 1945, with the understanding that he will receive a lump

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sum payment for the amount of annual leave remaining to his credit at that time.

The resignation was accepted as recommended.

Memorandum dated September 21, 1945, from Mr. Thomas, Director of the Division of Research and Statistics, submitting the resignation of Miss Helen Steadman, a clerk-typist in that Division, and recommending that the resignation be accepted as of the close of business September 21, 1945, with the understanding that appropriate deduction will be made from the salary due Miss Steadman for any overdrawn annual leave.

The resignation was accepted as recommended.

Letter to Mr. Meyer, Assistant Cashier of the Federal Reserve Bank of Chicago, reading as follows:

"The Board of Governors approves the change in the personnel classification plan of the Detroit Branch, involving an increase in the maximum annual salary for the position of Supervisor of Audits, as submitted with your letter of August 27, 1945."

Approved unanimously.

Telegram to Mr. McLarin, President of the Federal Reserve Bank of Atlanta, stating that, subject to conditions of membership numbered 1 to 6 contained in the Board's Regulation H, the Board approves the application of the "Bank of Yazoo City," Yazoo City, Mississippi, for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Atlanta. The telegram requested

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that the Federal Reserve Bank advise the 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. The telegram contained the following additional statement:

"Following advice, in addition to usual comments, will be contained in Board's letter to bank:

'It appears that the bank possesses certain powers which are not being exercised and which are not necessarily required in the conduct of a banking and trust business, such as the power to act as surety. Attention is invited to the fact that if the bank desires to exercise any powers not actually exercised at the time of admission to membership, it will be necessary under condition of membership numbered 1 to obtain the permission of the Board of Governors before exercising them. In this connection, the Board understands that there has been no change in the scope of the corporate powers exercised by the bank since the date of its application for membership.'

"It is assumed that you will follow the matter of the bank's bringing into conformity with the provisions of law and the Board's regulations the savings accounts listed on Page 16 of the report of examination for membership and the matter of providing adequate records and proper supervision of trust activities."

Approved unanimously.

Letter to the board of directors of the "Merchants & Farmers Bank," Columbus, Mississippi, stating that, subject to conditions of membership numbered 1 to 3 contained in the Board's Regulation H and the following special conditions, the Board approves the bank's application

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for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of St. Louis:

- "4. At the time of admission to membership such bank shall have a paid-up and unimpaired capital of not less than \$100,000.
- "5. Prior to admission to membership, such bank, if it has not already done so, shall charge off or otherwise eliminate estimated losses of \$2,677.56, as shown in the report of examination of such bank as of August 4, 1945, made by an examiner for the Federal Reserve Bank of St. Louis."

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

Letter to Mr. Robert Weidenbach, Cashier of The First National Bank of Eldon, Iowa, reading as follows:

"This refers to your letter of September 10, 1945, relative to the election of Mr. John Young, cashier of the Iowa Trust and Savings Bank, Centerville, Iowa, as a director of The First National Bank, Eldon, Iowa.

"The Banking Act of 1935 eliminated the procedure of issuing Clayton Act permits in individual cases and provided that the Board may by regulation permit certain interlocking relationships. These are set forth in the enclosed copy of the Board's Regulation L.

"Mr. Young would be authorized to continue his connections with the Iowa Trust and Savings Bank, Centerville, Iowa, and at the same time serve as director of The First National Bank, Eldon, Iowa, under the provisions of clause 4, set forth on page 7 of Regulation L, so long as the stock ownership of the banks remains substantially as stated in your letter and also under the provisions of clause 5 if the banks involved do not operate offices in the same or contiguous or adjacent communities."

Approved unanimously.

Letter to Senator Carter Glass reading as follows:

"The Office of Price Administration has referred to us your communication of September 6, 1945, enclosing a letter

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"from Mr. Arthur Byrd of Arthur Byrd Furniture, Bristol, Virginia-Tennessee, who favors the retention of Regulation W for another year.

"As you know, Regulation W, which relates to consumer credit, has been a part of the government's anti-inflation program and is intended to restrain the use of credit for consumer purposes at a time when the purchasing power of the public far exceeds the supply of goods available for sale. Since goods will continue short for some while, it is the Board's view that Regulation W should continue but should be revised from time to time to take into account changes in underlying conditions.

"We are glad to have these comments from Mr. Byrd. His letter is returned herewith."

Approved unanimously.

Letter to Senator Claude Pepper reading as follows:

"This will acknowledge and thank you for your note of September 15, 1945, referring to us a telegram from the Jacksonville Retail Furniture Dealers Association favoring the continuation of Regulation W.

"This regulation, which deals with consumer credit, is a part of the government's anti-inflation program, as you know, and the Board is authorized to continue it during the period of national emergency declared by the President on May 27, 1941. It has seemed to the Board that the regulation should not be revoked at present when the supply of goods is so short and purchasing power so abundant, but changes will be required from time to time as new conditions develop.

"The Board is glad to have the comments of your correspondent. The telegram is returned to you herewith."

Approved unanimously.

Letter to Congressman John W. McCormack reading as follows:

"The President has referred to us your letter of September 8, 1945, enclosing a copy of a letter from Mr. Joseph Campana, Chairman, Legislative Committee, Credit Union League of Massachusetts, in which it is suggested that, in view of the end of the war, credit unions be exempted from the scope of Regulation W which relates to consumer credit.

"As you know, Regulation W is a part of the government's anti-inflation program and is intended to restrain

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"the use of credit for consumer purposes at a time when the purchasing power of the public far exceeds the supply of goods available for sale. The end of the war did not bring the supply of goods into balance with demand, and, considering the fact that the public has been unable to buy many kinds of goods for several years, there is no prospect that such a balance can even be approached for some time. It is the view of the Board, therefore, that some restraints on consumer credit should be retained until conditions have improved in this respect.

"While the Board is appreciative of the services rendered by the credit unions, it does not believe that a regulation of general application could exempt entirely one group of lenders. The credit that they extend does contribute to purchasing power and so to inflationary pressure. The Board is, however, examining the regulation carefully in order to make appropriate revisions as conditions change. It seems likely that the credit unions will be among the first to benefit from such revisions.

"The credit unions have been very helpful to the Board in its administration of Regulation W and their comments are given careful consideration. We are returning Mr. Campana's letter herewith."

Approved unanimously.

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

"This refers to your letter of September 5, 1945, regarding the question whether section 32 of the Banking Act of 1933 is applicable to the service of Mr. Oscar E. Dooly, Jr., as a director of the Florida National Bank at Coral Gables.

"The information which you have assembled indicates that during the three years 1942, 1943 and 1944, an average of approximately 2 per cent of Mr. Dooly's gross income was derived from purchases and sales of securities for his own account. It does not appear what portion of this 2 per cent constituted business of the kind described in section 32 of the Banking Act of 1933, although you state that Mr. Dooly 'does not engage in underwriting'. Although the dollar value of business of the kind described by section 32 is not indicated in your letter, we understand that it also is very small in relation to the dollar value of Mr. Dooly's other business. Approximately 2 per cent of his income

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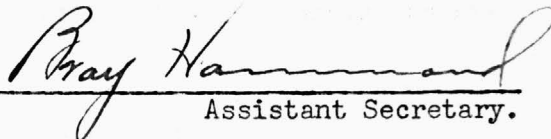
"during these three years was derived from purchasing and selling securities as agent for others, which is not the type of business referred to in section 32. Most of the remaining 96 per cent of his income was derived from his real estate business. His letterhead reads 'Oscar E. Dooly, Jr., Realtor'. You are also informed that Mr. Dooly is known as a realtor and not as a securities dealer. Mr. Dooly states that he is retaining his Security Dealers License in the hope that at some future time it will be of advantage to him to have it, and that inasmuch as such licenses are rather difficult to obtain, it is not his desire to drop it at this time. You state, however, that you would infer from a statement made by Mr. Dooly that he may, in the near future, engage more extensively in the securities business.

"Since it now appears that Mr. Dooly is known and holds himself out to be a realtor and not a security dealer, and since the volume of his business in securities is so small in relation to his real estate business that it might be regarded as incidental, your Counsel feels that there is a reasonable basis for the view that he is not 'primarily engaged' in the securities business within the meaning of section 32 of the Banking Act of 1933.

"The Board of Governors is of the opinion, on the basis of the facts indicated above, that section 32 is not applicable to Mr. Dooly's service as a director with the Florida National Bank at Coral Gables. As suggested by your counsel, however, it will be appreciated if, in advising Mr. Dooly, you will point out to him that if there should be any substantial change in the facts indicated above, upon which the Board's position in this matter is based, it may be necessary to reconsider the question."

Approved unanimously.

Thereupon the meeting adjourned.


Assistant Secretary.

Approved:


Chairman.