

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, October 4, 1945, at 10:30 a.m.

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

Mr. Carpenter, Secretary  
Mr. Connell, General Assistant,  
Office of the Secretary  
Mr. Goldenweiser, Economic Adviser,  
Division of Research and Statistics  
Mr. Thomas, Director of the Division of  
Research and Statistics  
Mr. Vest, General Attorney  
Mr. Gardner, Chief of the International  
Section, Division of Research and  
Statistics  
Miss Burr and Messrs. Alter and Triffin,  
Economists, Division of Research and  
Statistics

Mr. Szymczak stated that Mr. Triffin was present at the meeting this morning for the purpose of reporting on his recent trip to the Dominican Republic, Haiti, Cuba, Guatemala and Mexico, and that there were three matters in connection with Mr. Triffin's visits which should be considered by the Board. One was the request from the Minister of Finance of Cuba that Mr. Triffin return to Cuba for further discussions of the central bank project now being considered by that country; the second related to certain phases of the plan of monetary and banking reform which Mr. Triffin is planning to propose to the authorities of Guatemala; and the third had to do with the solution of the currency problem in the Dominican Republic.

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Prior to the meeting there had been distributed to the members of the Board copies of Mr. Triffin's memorandum of October 2, 1945, which contained a preliminary report of his visits to the five countries referred to above, and at this meeting he reviewed in considerable detail the important points contained in his report.

As Mr. Triffin's statement occupied the entire morning it was not possible, before members of the Board left to keep luncheon appointments, to take up the matters referred to by Mr. Szymczak at the beginning of the meeting as requiring consideration by the Board.

At this point Messrs. Goldenweiser, Thomas, Gardner, Vest, Alter and Triffin, and Miss Burr withdrew from the meeting.

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 October 3, 1945, were approved unanimously.

The minutes of the meeting of the Board of Governors of the Federal Reserve System with the executive committee of the Federal Advisory Council held on October 3, 1945, were approved unanimously.

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

"The Board has had occasion recently to review the procedure under which the study of important problems is undertaken within the System and believes that it would be helpful to clarify the procedure that it is desirable to follow in such cases.

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"Establishment of the System Research Advisory Committee early in 1944 provided a more effective medium through which the research work of the System could be integrated into a System program in the interest of more comprehensive and vigorous research work and unity of action in the discharge of the System's responsibilities as a national organization. In order that the Committee may be in a position to render the most effective service, it is necessary that it be kept informed of the principal research activities of the Board and the Federal Reserve Banks, and to that end it has been suggested that, whenever any Reserve Bank contemplates undertaking a project that is more than regional in its scope or a project that will utilize services outside of those of its regular staff, the matter be brought to the attention of the Chairman of the System Research Advisory Committee before the work is undertaken or any commitments are made with respect to the employment for this purpose of additional research personnel.

"This information will place the Chairman of the Committee in a position to bring the proposal to the attention of the Committee, which then can make such suggestions as may be desirable with respect to the most effective arrangement for the performance of the work to fit the study into the System program, and, in cases where such action appears to be necessary, to bring the matter to the attention of the Committee on Research of the Presidents' Conference and the Board of Governors for their consideration.

"It will be appreciated if you will take the necessary steps to assure this procedure being followed by your Bank as a means of effectively integrating the System's research work and avoiding unnecessary duplication."

Approved unanimously.

Letter to the "Broadway Bank & Trust Company," Paterson, New Jersey, and the "Merchants & Farmers Bank," Columbus, Mississippi, respectively, reading as follows:

"The Board is glad to learn that you have completed all arrangements for the admission of your bank to membership in the Federal Reserve System and takes pleasure

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in transmitting herewith a formal certificate of your membership.

"It will be appreciated if you will acknowledge receipt of this certificate."

Approved unanimously.

Telegram to Mr. Day, President of the Federal Reserve Bank of San Francisco, reading as follows:

"Your wire September 29 regarding nonmember clearing account for Phoenix Branch of Bank of Douglas, Douglas, Arizona. After considering the provisions of the Federal Reserve Act and in view of the fact that if the bank were to become a member of the Federal Reserve System it would have a Federal Reserve Bank account only in the district in which its head office is situated, Board does not look with favor upon the opening of an account by your bank for the branch of a nonmember bank whose head office is located in another district."

Approved unanimously.

Letter to Mr. A. K. Dawson, Dawson Produce Co., Tulsa, Oklahoma, reading as follows:

"Reference is made to your note of September 26, enclosing a portion of a market wire from a brokerage house.

"The view that lowering the present margin requirements prescribed by the Board's regulations would cause stock prices to decline, or to quit rising if this happens to be their tendency, is one for which we are unable to see any real basis. We are familiar with the contention that if the requirements were lowered with the consequence of reducing the number of undermargined accounts, margin traders would trade in-and-out more freely, but it would seem that they would be doing at least as much buying as selling. In fact, they would be likely to do more and this would tend to raise the level of stock prices.

"You will be interested to know that since the new margin rules went into effect in July margin traders have sold more shares of stock, on net balance, than they have bought."

Approved unanimously.

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

"Board has been asked by several licensed lenders under so-called small loan laws whether, in view of Amendment No. 18 to Regulation W, a non-purpose loan made prior to October 15, 1945, may thereafter be revised to provide for a maturity of 18 months from the date it was made or whether revision continues to be limited to 12 months from such date except with Statement of Necessity. Board would like to have your judgment on what opinion it should express on this inquiry. You are asked to assume that opinion will be in the form of a ruling as distinguished from an amendment and could as a matter of law be either 18 months or 12 months. Board has in mind that this inquiry raises questions concerning general regulatory policy, public relations, and enforcement as well as concerning operation procedures of Registrants.

"Main arguments for 18-month answer seem to be: (1) that in principle it would harmonize better with general liberalizing intent of that part of recent amendment which extended permissible maturity for new non-purpose loans; (2) that as recent amendment was on liberalizing side 18-month rule would have same sort of propriety at present as some restrictive rulings have had in the past when amendments were taking restrictive direction; and (3) that in at least some cases and for at least some Registrants 18-month ruling would simplify operating problems arising when borrower wants both revision of outstanding loan and new money.

"Main arguments for 12-month answer seem to be: (1) that it would protect Registrants from being forced by competition to determine difficult question of whether old loan really was or was not a purpose loan; (2) that it would prevent less careful or conscientious lenders from chiseling against which instalment vendors would complain and which System investigators would find hard to detect; and (3) that it would avoid taking a position that would handicap the Board in framing and interpreting future amendments as for example amendments contemplated perhaps within next 12 months which might remove numerous articles from the list, with consequence that purpose of old loan may have been to finance or refinance purchase of article that was listed when old

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loan was made but will be an unlisted article when old loan comes up for revision or consolidation. "Board feels question presented deserves thorough consideration by all Reserve Banks and that Board should make prompt ruling."

Approved unanimously.

Letter to Mr. Edwin B. Spangenthal, President of the National Retail Furniture Association, Household Outfitting Company, Buffalo, New York, reading as follows:

"Reference is made to your telegram of September 27, in which you register, on behalf of the furniture dealers, a protest against Amendment No. 18 to Regulation W.

"With respect to the proposals made recently by a Committee of the National Retail Furniture Association, which you mention, you will be interested to know that although none of them was deemed to be acceptable at the present time they will all be given further consideration in due course.

"The possibility, also mentioned in your telegram, that lengthening the permissible maturity on certain loans from 12 months to 18 may be abused has not been overlooked by the Board. In fact, it was carefully considered. You will understand, therefore, that in making this change the Board implicitly disagrees with the contention that it will, as stated in your telegram, 'provide a wide open door for stretching term on consumer durable goods purchased from the vendor for cash obtained from an improperly granted loan.' The change relates, as you will have noted, only to loans which are not for the purpose of financing or refinancing the purchase of consumers' durable goods.

"We are always glad to hear from you, as well as from other representatives of the National Retail Furniture Association, and hope that you will continue to keep in touch with us and with the Federal Reserve Banks. We should like to say in addition that you can take for granted the disposition of every Reserve Bank to take seriously any instances

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of improperly granted loans which they may discover in the course of their regular investigations or which may be brought to their attention by complaint."

Approved unanimously.

Telegram to Mr. Day, Chairman of the Presidents' Conference, prepared in accordance with the decision reached by the Board of Governors of the Federal Reserve System at its meeting on September 28, 1945, and reading as follows:

"Since writing its letter of September 14, 1945, S-871, Board of Governors has given further consideration to policies that should be followed with respect to future building operations of Reserve Banks and branches. It is realized that this subject has been discussed at last three meetings of the Presidents' Conference and has been given attention recently by individual Federal Reserve Banks and the Board. However, it is believed it will be advisable to place the matter on the agenda for the next meeting of the Presidents and the Board for the purpose of discussing what the policy should be in preparation of plans for space to accommodate volume of operations that Federal Reserve Banks may be called upon to perform and to provide space that might be made available to other Government agencies, particularly offices of Comptroller of Currency, Federal Deposit Insurance Corporation, and Reconstruction Finance Corporation. Will be appreciated, therefore, if the Presidents will be prepared to discuss this matter at the time of forthcoming meeting on basis of possible volume of fiscal agency and other operations at Reserve Banks and branches, and extent to which provision should be made for space beyond that required to meet their own anticipated needs. As stated in letter referred to above, Board is preparing draft of amendment to Section 10 of Federal Reserve Act to repeal paragraph 9 of that section, which limits the amount that may be spent for Federal Reserve branch buildings, and will make draft available

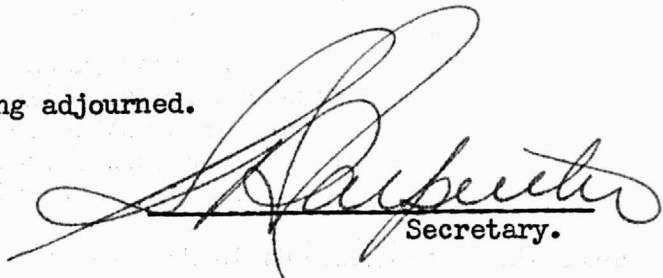
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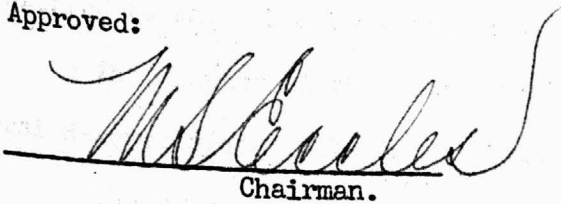
to the Presidents before meeting. A copy of wire being sent to Mr. Sienkiewicz."

Approved unanimously.

Thereupon the meeting adjourned.

  
Secretary.

Approved:

  
Chairman.