

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, October 12, 1945, at 10:30 a.m.

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

Mr. Carpenter, Secretary  
Mr. Connell, General Assistant,  
Office of the Secretary  
Mr. Morrill, Special Adviser  
Mr. Thurston, Assistant to the Chairman  
Mr. Goldenweiser, Economic Adviser,  
Division of Research and Statistics  
Mr. Smead, Director of the Division of  
Bank Operations  
Mr. Parry, Director of the Division of  
Security Loans  
Mr. Bethea, Director of the Division of  
Administrative Services  
Mr. Thomas, Director of the Division of  
Research and Statistics  
Mr. Vest, General Attorney  
Mr. Pollard, Assistant Director of the  
Division of Examinations  
Mr. Cagle, Assistant Director of the  
Division of Examinations  
Mr. Ellis, Assistant Director of the  
Division of Research and Statistics  
Mr. Townsend, Assistant General Attorney  
Mr. Gardner, Chief, International Section,  
Division of Research and Statistics  
Mr. Knapp, Special Assistant to the  
Chairman

There were presented telegrams to Mr. Flanders, President of the Federal Reserve Bank of Boston, Mr. Treiber, Secretary of the Federal Reserve Bank of New York, Messrs. Leach and McLarin, Presidents

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of the Federal Reserve Banks of Richmond and Atlanta, respectively, Mr. Dillard, Vice President of the Federal Reserve Bank of Chicago, Mr. Stewart, Secretary of the Federal Reserve Bank of St. Louis, Mr. Powell, First 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, and 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 Bank of San Francisco on October 9, by the Federal Reserve Bank of Atlanta on October 10, and by the Federal Reserve Banks of New York, Richmond, Chicago, St. Louis, Minneapolis, Kansas City, and Dallas on October 11, and by the Federal Reserve Bank of Boston on October 13, 1945, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Mr. Morrill stated that, in accordance with the decision reached at the meeting of the Board on September 28, 1945, he visited the Pittsburgh Branch of the Federal Reserve Bank of Cleveland for the purpose of reviewing the proposed acquisition of a site for an annex to the present Branch building and that he had come to the conclusion that the proposal as submitted by the Bank was the best solution of an unsatisfactory situation. He felt that none of the possible solutions of the problem that had been advanced was entirely satisfactory, that

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there was no likelihood of working out an arrangement which would make space available in the Gulf Oil Building or on the Pennsylvania Railroad Company properties, and that the purchase of the proposed site was the only practical course left. While the present branch building was poorly arranged and inadequately equipped, he did not think the Bank would be justified in selling the building and undertaking to erect an entirely new building. He added that it did not appear that the volume of work which the Branch would be called upon to perform in the future could be satisfactorily provided for in the present Branch building, that therefore the provision of additional space on a permanent basis was entirely warranted, that Director Klages, who had taken a great interest in the matter as Chairman of the building committee of the Cleveland board of directors, had made the statement that the Bank would not purchase the site until the directors were satisfied that they had obtained the very best possible price, and that any building erected as an annex would be a strictly utilitarian all-purpose building that could be rented or sold if that should be found to be necessary.

In a discussion following Mr. Morrill's statement it was pointed out that the directors proposed to offer \$275,000 for the annex site, and that while it was expected that it could be purchased for less than \$350,000 they had requested authority from the Board to pay up to that amount for the property.

Question was raised whether, for the purpose of placing the directors in a better

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bargaining position the Board should approve the purchase at a price of less than \$350,000 and Mr. Szymczak moved that the Bank be informed by telegram that the Board approves the purchase of the property at a price of not to exceed \$300,000, it being understood that Mr. Szymczak would telephone Mr. Klages, Deputy Chairman of the Cleveland Bank, and tell him for his confidential information, and, if he so desired, for the confidential information of Mr. Doherty, Chairman of the board of directors of the Pittsburgh Branch, that the Board had taken action in this form for the purpose of putting the bank in a stronger bargaining position, that it was understood that Mr. Klages would insist upon the best possible deal that could be made, but that if it were finally found that the best price for which the property could be obtained was somewhere between \$300,000 and \$350,000 the Board would approve the payment of that price.

Mr. Szymczak's motion was put by the chair and carried unanimously.

Mr. McKee inquired whether, if a request were received from the Association of State Bank Supervisors for permission to hold meetings of that organization in the Federal Reserve Building, the Board would be willing to extend such a privilege. All of the members of the Board indicated that while they did not think the Board should take the initiative in extending an invitation at this time, if the Association should ask for the privilege of meeting in the building, the Board should grant the request.

Mr. McKee referred to the agreement reached at the meeting on September 14, 1945, that he would present at the meeting of the Board

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with the Presidents of the Federal Reserve Banks this week the matter of basing required reserves of member banks on the classification of banks by cities, and stated that if agreeable to the other members of the Board he would state at the meeting with the Presidents that the Board had given some consideration to the problem, that members of the staff had prepared preliminary memoranda with respect to it, and that in the near future a letter would be addressed to the Presidents asking for their comments on the questions raised by the memoranda which would be enclosed. All of the members of the Board present indicated approval of this procedure.

Mr. Goldenweiser then made an informal report of his recent visit with Messrs. Knoke and Rozell of the Federal Reserve Bank of New York to several European central banks. He submitted a map on which was indicated the cities which he had visited and discussed the results and impressions of the trip. Before the meeting there had been distributed to the members of the Board copies of unedited notes which Mr. Goldenweiser had made during the course of his trip.

While making his statement Mr. Goldenweiser recommended, on the basis of observations made during his trip, (1) that the establishment and maintenance by the Board of an office abroad for the purpose of keeping in touch with foreign banking and monetary matters be not undertaken and that instead the Board send someone to Europe every six or nine months, (2) that the Board establish a fund for the

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entertainment of visitors from foreign central banks and governments to this country, and (3) that a meeting of central bank economists be held in Washington in the course of the next year. No action was taken by the Board at this meeting on any of these recommendations.

At this point Messrs. Goldenweiser, Smead, Parry, Bethea, Thomas, Vest, Pollard, Cagle, Ellis, Townsend, Gardner, and Knapp 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 October 11, 1945, were approved unanimously.

Memorandum dated October 9, 1945, from Mr. Bethea, Director of the Division of Administrative Services, recommending that the appointment of Benjamin G. Goods, a guard in that Division, be extended on a temporary basis for a period of not to exceed one month, effective at the expiration of his present temporary appointment on October 15, 1945, with no change in his present salary at the rate of \$1,800 per annum. The memorandum stated that it was not contemplated that Mr. Goods would become a member of the Board's retirement system.

Approved unanimously.

Memorandum dated October 11, 1945, from Mr. Thomas, Director

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of the Division of Research and Statistics, submitting the resignation of Harold Lubell, a Research Assistant in that Division, and recommending that the resignation be accepted effective as of the close of business October 12, 1945, with the understanding that appropriate deduction will be made from the salary due Mr. Lubell for any over-drawn annual leave.

The resignation was accepted as recommended.

Memorandum dated October 11, 1945, from Mr. Thomas, Director of the Division of Research and Statistics, submitting the resignation of Miss Marilyn J. Turkal, a clerk in that Division, and recommending that the resignation be accepted effective as of the close of business October 24, 1945, and that a lump sum payment be made for the annual leave remaining to her credit at that time.

The resignation was accepted as recommended.

Memorandum dated October 12, 1945, from Mr. Carpenter submitting the resignation of Miss Anne Lipscomb, a file clerk in the Secretary's Office, and recommending that the resignation be accepted effective as of the close of business October 5, 1945, and that a proper lump sum payment be made for accrued annual leave remaining to her credit at that time.

The resignation was accepted as recommended.

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Memorandum dated October 11, 1945, from Mr. Bethea, Director of the Division of Administrative Services, submitting the resignation of Mrs. Evelyn Lunsford, a cafeteria helper in that Division, and recommending that the resignation be accepted effective as of the close of business October 12, 1945, and that a lump sum payment be made for any accrued annual leave remaining to her credit at that time.

The resignation was accepted as recommended.

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

"In accordance with the requests contained in your letter of September 27, 1945, the Board of Governors approves for a further period of six months beginning September 1, 1945, the retention of William E. Marple in the capacity of Acting Chief 'T' in the Disbursing Division of the Accounting Department and the continuation of Howard D. Crosse in an unassigned position in the Cash and Collection Function.

"The Board of Governors also approves for a further period of six months beginning October 16, 1945, the continuation of Thomas Howard in an unassigned position in the Cash and Collection Function.

"It is noted from your letter that these assignments are made in accordance with the program of rotation conducted at your Bank.

"The approval of the continuation of the special assignments for Messrs. Marple, Crosse, and Howard is given with the understanding that the salaries paid them while serving in these assignments will not exceed the maximums established under the personnel classification plan for the positions they occupied at the time they were given special assignments under the program of rotation."

Approved unanimously.



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Letter to the board of directors of "The Bank of Commerce, Wetumka, Oklahoma", Wetumka, Oklahoma, stating that, subject to conditions of membership numbered 1 to 3 contained in the Board's Regulation H, the Board approves the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Kansas City.

Approved unanimously, for transmission through the Federal Reserve Bank of Kansas City.

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

"Your wire re inquiry Manufacturers and Traders Trust Company of Buffalo. Following is text of wire Board sent to Federal Reserve Bank of San Francisco on October 11 in response to an inquiry involving the same proposal:

'Your wire. Guaranty Trust Company of New York inquired of Board whether loan to Affiliated Fund, Inc., would be subject to Regulation U if it were revised so as to change certain of its terms, including a disclaimer of any lien on securities now serving as collateral, and placing them with third party custodian. Guaranty urged that this would be a new and unsecured loan not subject to Regulation U. Board expressed the opinion that loan by Guaranty under the proposal made would still be subject to provisions of regulation. While we have been told informally earlier today of new plan for Morgan and Company to head syndicate for loan to Affiliated Fund, have not been advised of details or furnished with documents. Board could not, of course, undertake to express an opinion on the question of effect of regulation on new plan except after receiving and

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"having opportunity to study full information as to all the terms of the loan and proposed participation therein.'

If it is desired that Board express an opinion on the question, we would need detailed information with respect to the terms of the loan, the participation arrangement, and the custodianship arrangement, with a copy of the loan agreement and of any other document or documents there may be in connection with the participation or custodianship."

Approved unanimously.

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

"This will acknowledge your letter of October 3, 1945, enclosing a copy of a letter from Mr. W. C. Durham, R. E. Kennington Company, Jackson, Mississippi, and the enclosure referred to in his letter. The questionnaire being sent out by the National Retail Credit Association with reference to Regulation W is hardly calculated to develop the issue squarely but the results will probably give some idea about sentiment in the trade and we are glad to have it brought to our attention."

Approved unanimously.

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

"Relet October 8, certain other Reserve Banks have also been asked by Treasury whether telegraphic requests made on Saturday by general depository banks for restoration of depleted balances in Treasurer's General Account, which cannot be handled on Saturday because Treasury is closed, cannot be put through on Monday as of the preceding Saturday. While Board will offer no objection to this practice, it might be preferable to put such entries through as of Monday and in case of deficiencies in required reserves to offset such deficiencies to the extent they would

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"have been avoided had credit been given as of Saturday."

Approved unanimously, together with a telegram to the Presidents of all the other Federal Reserve Banks transmitting a copy of the above telegram.

Letter to Mr. Wm. H. Livingston, Harbeson, Hough, Livingston and Larson, Architects, Philadelphia, Pennsylvania, reading as follows:

"This will acknowledge receipt of your letter of September 26, 1945, in which you advise that as a result of the death of Mr. Cret the partnership under the name Paul P. Cret, Architect, has ceased to exist and a new partnership has been formed under the name of Harbeson, Hough, Livingston and Larson, Architects, Successors to Paul P. Cret, Architect. We note that the new partnership possesses all the drawings, records and equipment and assumes all responsibilities and obligations of the former partnership.

"You refer to the proposed alterations of the Board's existing building and the proposed addition thereto, which were the subject of the contract entered into in July 1940 between the Board and Paul P. Cret, Architect, and you request the Board's approval of the new firm to carry on any of the proposed work that may proceed in the future. The Board is glad to recognize the new firm as standing in the place of the old partnership under the agreement with the Board of July 8, 1940, as modified October 30, 1940, with such rights and obligations as the old firm had under such contract before Mr. Cret's death.

"Our relationships with you and Mr. Cret and with the old firm have been most pleasant and satisfactory, and we look forward with assurance to a continuation of these relationships with the new firm."

Approved unanimously.

Letter to the Comptroller of the Currency reading as follows:

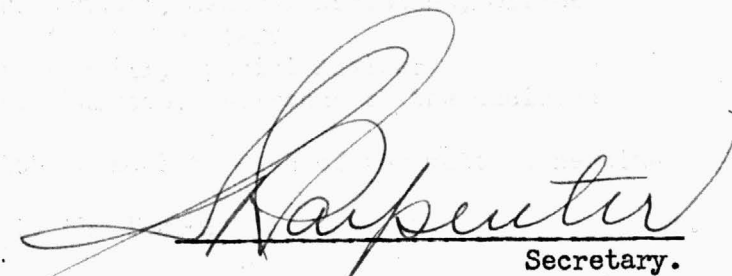
"It is respectfully requested that you place an order with the Bureau of Engraving and Printing, supplementing

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"the order of June 9, 1945, for printing of \$12,000,000 of Federal Reserve notes of the 1934 Series for the Federal Reserve Bank of St. Louis in the \$50 denomination."

Approved unanimously.

Thereupon the meeting adjourned.

  
Secretary.

Approved:

  
Chairman.