

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, October 29, 1945, at 2:00 p.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

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 October 19, 1945, were approved unanimously.

The minutes of the meetings of the Board of Governors of the Federal Reserve System held on October 22, 23, 24, and 26, 1945, were approved and the actions recorded therein were ratified unanimously.

Memorandum dated October 25, 1945, from Mr. Parry, Director of the Division of Security Loans, submitting the resignation of Mrs. Virginia Robinson, a clerk-stenographer in that Division, and recommending that the resignation be accepted effective as of the close of business October 31, 1945, and that a lump sum payment be made for the accrued annual leave remaining to her credit at that time.

The resignation was accepted as recommended.

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Memorandum dated October 26, 1945, from Mr. Thomas, Director of the Division of Research and Statistics, submitting the resignation of Mrs. Inez H. Allerdice, a clerk-typist in that Division, and recommending that the resignation be accepted effective as of the close of business October 26, 1945, with the understanding that appropriate deduction will be made from the salary due Mrs. Allerdice for any overdrawn annual leave.

The resignation was accepted as recommended.

Memorandum dated October 26, 1945, from Mr. Carpenter submitting the resignation of Mrs. Margery D. Maize, a file clerk in the Secretary's Office, and recommending that the resignation be accepted effective as of the close of business October 31, 1945, with the understanding that proper reimbursement will be made for her overdrawn leave.

The resignation was accepted as recommended.

Memorandum dated October 26, 1945, from Mr. Carpenter submitting the resignation of Mrs. Mary J. Dodge, a file clerk in the Secretary's Office, and recommending that the resignation be accepted effective as of the close of business November 2, 1945, with the understanding that proper reimbursement will be made for her overdrawn leave.

The resignation was accepted as recommended.

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Letter to Mr. William M. Cooper, President of the Stock Brokers' Associates of Chicago, Chicago, Illinois, reading as follows:

"This relates to your letter of October 19, enclosing copies of a Resolution, dated October 18, of the Executive Committee of Stock Brokers' Associates of Chicago. The Resolution petitions the Board to amend the regulations now governing withdrawals and substitutions under the new margin requirements.

"The principal arguments advanced against the present rules are that they tend to impair the liquidity and stability of the market and to encourage and stimulate an inflationary trend in stock prices. The Board takes note of the fact that these arguments are carefully developed and that their proponents believe the desired amendment would not impair the effectiveness of the Board's regulations in accomplishing the objectives towards which, under the Securities Exchange Act of 1934, these regulations are directed.

"The view that the rules in question tend to encourage an inflationary trend is one with which, after careful and deliberate consideration, the Board completely disagrees. The evidence advanced on the affirmative side of this issue stresses the effect of the present rules, in observed instances, in influencing customers having undermargined accounts to refrain from selling securities. The effect of these rules in preventing customers from buying securities is either overlooked or inadequately considered. When both effects are taken fully into account, the net influence of the new rules appears to be unmistakably on the anti-inflationary side. This conclusion is borne out by the fact that since the new margin rules went into effect margin traders in the aggregate have sold far more securities than they have bought.

"The Board is satisfied that, in present circumstances, the existing rules are altogether justified by considerations of the national public interest as envisaged by the Securities Exchange Act of 1934. They are operating to restrain the kind of boom that tends to generate a slump. In fact, at a time when there is available for investment in securities an entirely unprecedented amount of cash, an impressive argument could be made in favor of regulations which would still further restrict the use of credit

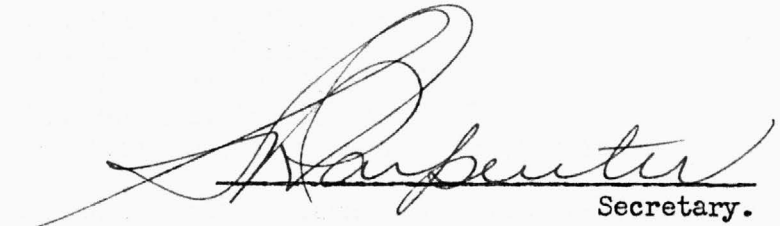
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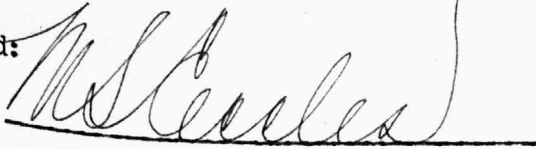
"in the stock markets, as by raising the requirements for initial deposits or by requiring all undermargined accounts to be margined up within some specified period.

"Although the Board is disinclined, in present circumstances, to take the action requested by your Association, the Board wishes to express its sincere appreciation of the spirit in which you have presented your position."

Approved unanimously.


Secretary.

Approved:


Chairman.