

11/6/45 A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, November 6, 1945, at 10:30 a.m.

PRESENT: Mr. Eccles, Chairman
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. 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

Reference was made to a memorandum dated October 31, 1945, from Mr. Leonard, Director of the Division of Personnel Administration, to which was attached a letter from Mr. Young, President of the Federal Reserve Bank of Chicago, under date of October 25, 1945, advising that, subject to the approval of the Board of Governors, the directors had recommended the following salary increases for officers of the Bank. The letter also stated that Mr. Hodge had been advanced from Assistant Counsel to General Counsel, effective as of the date on which the appointment of Mr. Dunn as First Vice President, formerly General Counsel of the Bank, was approved:

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<u>Name</u>	<u>Title</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
E. C. Harris	Vice President in charge of the Detroit Branch	\$15,000	\$16,500
O. J. Netterstrom	Vice President	14,000	15,500
A. T. Sihler	Vice President	15,000	16,500
Paul C. Hodge	General Counsel	9,000	10,500

Mr. Leonard's memorandum had been circulated among the members of the Board prior to the meeting and the matter was placed on the docket at the request of Chairman Eccles. The first three of the proposed adjustments were discussed in the light of the salary history of Messrs. Netterstrom and Sihler and what the maximum salaries should be for officers in charge of branches of Reserve Banks, and it was agreed that action on all four of the proposed changes should be deferred pending a discussion of the matter by Mr. Eccles with Mr. Szymczak.

Consideration was then given to a memorandum dated October 29, 1945, from Mr. Thomas, Director of the Division of Research and Statistics, recommending approval of the temporary appointment for a period of not to exceed one year of Mr. Ali Resai Bengur, a citizen of Turkey, as an Economic Specialist in the Division of Research and Statistics, with salary at the rate of \$3,640 per annum, effective as of the date upon which he enters upon the performance of his duties after passing satisfactorily the usual physical examination.

Mr. Eccles said that when the file came to him he had felt that the Board should staff its organization with permanent employees

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and, that therefore, he was inclined to question the wisdom of temporary appointments of this kind.

Mr. Thomas explained that Mr. Bengur had been sent to this country in 1940 by the central bank of Turkey to pursue a course of study at Princeton University, that more recently he had been attached to the Turkish Embassy in Washington, and that before returning to the central bank of Turkey he would like to obtain some experience in the Board's research organization. Mr. Thomas also stated that there was need in the International Section of the Division of Research and Statistics for a man of Mr. Bengur's training and experience, that his services could be utilized to advantage in work on economic developments in the Balkan countries and in the near East in which field there was a scarcity of qualified help, and that since he had a definite commitment to return to the central bank of Turkey his service with the Board would assist in establishing a broader basis for the Board's relations with that institution. It was also pointed out that the salary proposed for Mr. Bengur was the salary that would be required for someone else with the qualifications necessary for the work that he would do, and that the temporary appointment would be in general accord with the policy of the Board as stated at the meetings on December 12, 1943, and June 12, 1945, with respect to the temporary employment of Latin Americans.

At the conclusion of a discussion, the appointment was approved unanimously as recommended, it being understood that Mr. Bengur would not become a member of the Federal Reserve retirement system in view of the temporary nature of his appointment.

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Mr. Carpenter then read a letter dated November 2, 1945, from President Gidney of the Federal Reserve Bank of Cleveland, advising that Mr. Hays, First Vice President, had resigned, effective as of November 30, 1945, to accept a position as executive vice president of the First National Bank of Cincinnati, Ohio.

Noted.

At this point Messrs. Smead, Leonard, Thomas, Vest, and Wyatt 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 November 5, 1945, were approved unanimously.

Letter to Mr. William L. Clayton, Assistant Secretary of the Department of State, reading as follows:

"Our reply to your letter of September 27, requesting the release of Mr. Arthur C. Bunce of our staff for a period of six months in order that he might be sent to Korea as Economic Adviser to General Hodge, has been deferred pending advice as to how your Department wished to have the matter handled.

"We have now been advised that Mr. Bunce will be placed on a Special Mission payroll. Accordingly, this is to advise you that the Board of Governors has granted Mr. Bunce a leave of absence without pay for a period not to exceed six months in order that he may undertake the mission to Korea as proposed."

Approved unanimously.

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

"Referring to your letters of August 9 and 17 and October 15, 1945, relating to the status of the Ohio Farm Bureau Federation, Inc., and the Ohio Farm Bureau Corporation, both of Columbus, Ohio, as holding company affiliates of The First National Bank of Grove City, Grove City, Ohio, there is enclosed a letter of this date addressed jointly to the two corporations, advising them of the action taken by the Board with respect to this matter. A copy of the letter is enclosed for your files.

"From the organization chart enclosed with Mr. Ballard's letter of August 2, 1945, it is noted that certain insurance companies own most of the preferred stock of the Ohio Farm Bureau Corporation which has voting rights in case of default on four consecutive semi-annual dividends, and it is stated in your letter of October 15 that this stock has never been voted. However, attention is directed to the fact that if the preferred stock is in default to the extent that it now has the voting right, additional holding company affiliate relationships may exist regardless of whether the preferred stock has ever been voted. The determinations in the enclosed letter are based on the assumption that the preferred stock of the Corporation does not now have the voting right. If, as a matter of fact, it does have such right at present, additional determinations by the Board as to whether one or more of the insurance companies is a holding company affiliate will also be necessary.

"Your letter of October 15 states that the stock of the Ohio Farm Bureau Corporation previously owned by the Farm Bureau Cooperative Association has been sold to the Ohio Farm Bureau Federation. It is assumed that no control of this stock has been retained by the Association by virtue of a loan or other advance to the Federation secured by the stock, or in any other manner. Otherwise a determination by the Board as to the holding company affiliate status of the Association will be necessary before the national bank stock may be legally voted.

"The organization chart enclosed with Mr. Ballard's letter also indicated some sort of relationship between

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"County Farm Bureaus, apparently 85 in number, and Ohio Farm Bureau Federation, Inc. However, it does not reveal whether or not any shares of Ohio Farm Bureau Federation, Inc., are owned by a County Farm Bureau. If any County Farm Bureau is a corporation, or a similar organization, and controls Ohio Farm Bureau Federation, Inc., a determination of the holding company affiliate status of such Bureau is necessary. Of course, the voting status of the preferred stock of Ohio Farm Bureau Corporation has a bearing upon this question as well as the question discussed in the preceding paragraph, and the question whether the Ohio Farm Bureau Federation, Inc., is actually a holding company affiliate of the national bank.

"In view of the fact that it has been necessary to make the assumptions referred to above, it is suggested that, before the enclosed letter is transmitted to the Corporations to which it is addressed, you have the entire matter passed upon by Counsel for your Bank in order that it may be determined whether the enclosed letter covers the holding company affiliate relationships which in fact exist in this case.

"With respect to the question raised in the last paragraph of your letter of October 15 as to the organizations which are to be considered as being affiliated with the national bank, the Board will not attempt to answer this question as the national bank is under the supervision of the Comptroller of the Currency and affiliate questions should be submitted to his office by the national bank, accompanied by all necessary information."

Approved unanimously, together with the joint letter, referred to in the first paragraph of the above letter, to the Ohio Farm Bureau Federation, Inc., and the Ohio Farm Bureau Corporation, of Columbus, Ohio, reading as follows:

"This refers to the letter dated August 2, 1945, from Mr. Henry S. Ballard, General Counsel, Ohio Farm Bureau Corporation, to the Federal Reserve Bank of Cleveland, and to additional information subsequently furnished to the Federal Reserve Bank, relating to the status of your corporations as holding company affiliates.

"The Board understands that Ohio Farm Bureau Federation, Inc., owns the common stock of the Ohio Farm Bureau Corporation

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"which, in turn, owns more than 50 per cent of the number of shares voted at the latest election of directors of The First National Bank of Grove City, Grove City, Ohio, but neither Ohio Farm Bureau Federation, Inc., nor Ohio Farm Bureau Corporation owns or controls any stock of, or manages or controls, any other banking institution.

"In view of these facts, the Board has determined that the Ohio Farm Bureau Federation, Inc., and the Ohio Farm Bureau Corporation are not engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies, within the meaning of section 2(c) of the Banking Act of 1933, as amended; and, accordingly, the Ohio Farm Bureau Federation, Inc., and the Ohio Farm Bureau Corporation are not holding company affiliates for any purposes other than those of section 23A of the Federal Reserve Act.

"If, however, the Ohio Farm Bureau Federation, Inc., or the Ohio Farm Bureau Corporation should at any time own or control a substantial portion of the stock of, or manage or control, more than one banking institution, this matter should again be submitted to the Board for its determination. The Board reserves the right to make a further determination at any time on the basis of the then existing facts."

Letter to "The First National Bank of Wallace," Wallace, Idaho, reading as follows:

"The Board of Governors of the Federal Reserve System has given consideration to your application for permission to act as trustee in certain instances, and grants you authority to act, when not in contravention of State or local law, as trustee, restricted to the mere holding of title to real estate for local mining companies, the exercise of such right to be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

"This letter will be your authority to exercise the fiduciary power granted by the Board pending the preparation of a formal certificate covering such authorization, which will be forwarded to you in due course."

Approved unanimously.

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Letter to Senator E. C. Johnson reading as follows:

"This will acknowledge your letter of October 24, relating to the Board's Regulation W and enclosing letters from Mr. John T. Liggett, Vice President, Western Acceptance Corporation, Pueblo, Colorado, and Mr. H. R. Roberson, Vice President, Valley Loan Company, Alamosa, Colorado. Both of your correspondents suggest relaxation of Regulation W which relates to consumer credit.

"It is the policy of the Board to relax the requirements of the regulation as rapidly as conditions permit, and on October 15, 1945, an amendment in that direction was adopted. However, the regulation is a part of the anti-inflation program of the Government, and it is the view of the Board that while consumer goods are in short supply the regulation should be continued in a form which will restrict the use of credit in the purchase of such goods as a means of dampening the demand and the resulting pressure on prices. As long as the demand is in excess of the goods available, it is not believed that the regulation will in any way interfere with their production or distribution.

"The Board has this matter under continuous study, and you may be assured that the comments contained in the letters from your correspondents will be given careful consideration.

"The letters of Messrs. Liggett and Roberson are returned herewith."

Approved unanimously, together with
a similar letter to Congressman J. Edgar
Chenoweth.

Memorandum dated October 31, 1945, from Mr. Paulger, Director of the Division of Examinations, submitting a voucher for reimbursement for traveling expenses incurred by Andrew N. Thompson, Federal Reserve Examiner, while on official business. The memorandum recommended that the Board allow Mr. Thompson \$7.00 per diem during the period he was away from official headquarters (Washington, D. C.)

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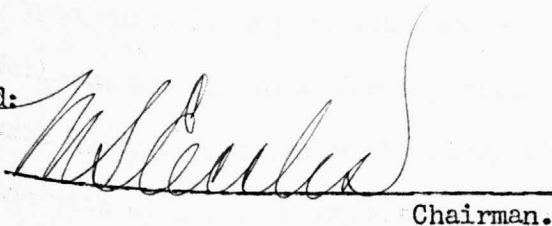
from September 27 to October 23, 1945, and an excess charge of \$5.45, representing his share of a compartment from San Francisco to Salt Lake City and from Portland to San Francisco, purchased because of the unavailability of the usual Pullman accommodations allowed by the Board's travel regulations, and that the voucher be approved for the full amount.

Approved unanimously.

Thereupon the meeting adjourned.


Secretary.

Approved:


Chairman.