

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, November 23, 1945, at 10:30 a.m.

PRESENT: Mr. Eccles, Chairman
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. 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. Leonard, Director of the Division of
Personnel Administration
Mr. Thomas, Director of the Division of
Research and Statistics
Mr. Vest, General Attorney
Mr. Knapp, Special Assistant to the Chairman
Mr. Triffin, Economist, Division of
Research and Statistics

ALSO PRESENT: Mr. Victor Urquidi, Assistant Director of the
Research Department of the Bank of Mexico

In accordance with the decision of the Board at its meeting on November 16, 1945, Mr. Urquidi was present by invitation to discuss conditions in Mexico and the proposed conference in Mexico City of representatives of the central banks in the Western hemisphere.

Mr. Urquidi stated that the conference was intended to bring about a closer relationship between the research departments of the central banks with a view to increased understanding of common problems, improved methods, and greater uniformity in the compilation of data of

11/23/45

-2-

interest to all. He said that the meeting would be at the technical level and there would be no publicity. At this point copies of a tentative agenda of the meeting were distributed.

Mr. Urquidi said that in preparing the agenda, in connection with which he acknowledged the assistance of Mr. Triffin, Economist in the Board's Division of Research and Statistics, every effort had been made to avoid any point which might bear on the relationship between the central banks and their governments.

There followed a discussion of some of the topics of the agenda. With reference to the item "Flexible Reserves", Mr. McKee thought that the wording of the agenda might be misconstrued to imply an interest in only 100 per cent reserves and he suggested that it would be desirable to state the question in broader terms.

Mr. Morrill referred to the topic "Integration of Bank Examination in the Central Banks" and in the ensuing discussion Mr. Urquidi pointed out that the real question was one of obtaining bank figures from examining authorities for statistical purposes. That being the case, it was suggested that more appropriate wording for the topic be found.

Mr. Eccles again expressed the opinion that although the conference was to deal with problems of central banking, exchange controls, open market operations, and other matters at the technical level, the State and Treasury Departments should be officially advised.

11/23/45

-3-

Mr. Urquidi said that the Treasury Department of Mexico had approved the idea of a meeting, that it had been made clear to that Department that one result should be to make central banks of more benefit to the Treasuries, but that to avoid large and unwieldy meetings representation was to be limited to central banks.

Mr. Urquidi said that it was planned to hold the conference in Mexico City about the middle of February and that it was hoped that arrangements for future meetings could be established on a permanent basis.

Mr. Goldenweiser expressed the opinion that central banks throughout the world should be invited to hold a conference and that such a proposal might be considered at the meeting in Mexico.

At the suggestion of the Board, Mr. Urquidi then discussed informally the present economic situation in Mexico.

At this point Messrs. Urquidi, Goldenweiser, Parry, Thomas, Knapp, and Triffin withdrew from the meeting.

Mr. McKee stated that Mr. Doherty, Chairman of the Board of the Pittsburgh Branch of the Federal Reserve Bank of Cleveland, and also President of the Carnegie Institute of Technology, had inquired of Vice President Kossin of the Pittsburgh Branch whether the Board would be willing to permit a group of about 12 educators from the Pittsburgh area, who expected to be in Washington on December 5,

11/23/45

-4-

1945, to use one of the Board's conference rooms on that date. All of the members of the Board were agreeable to granting the request.

Mr. Smead withdrew from the meeting at this point.

Mr. McKee again referred to the matter of the deficiency in reserves of the Federal Reserve Bank of Boston which had been discussed at the meetings of the Board on November 16 and 20. He stated that counsel for the Reserve Bank, who was in Washington today for the purpose of attending a conference with Under Secretary of the Treasury Bell, would like to know whether the Board would support the position which the officers of the Bank had taken that, since the Bank at all times during the period in which the deficiency existed had adequate reserves; the deficiency arose purely through failure to function the proper bookkeeping entries and, therefore, the purpose of the statute was not violated.

There followed a brief discussion of the merits of the case, during which Mr. Vest stated that on a strictly legal basis it would be difficult for the Board to take the unqualified position that no deficiency existed but that as a practical matter the position could be taken that there was no deficiency of the kind that the law intended should be subject to the penalty tax provided in the Federal Reserve Act. During the discussion no change was suggested in the manner in which the matter should be handled as proposed when it was considered on November 20.

11/23/45

-5-

At this point Mr. Vest left the meeting.

In line with recent informal discussions with respect to the appointment of Class C directors of Federal Reserve Banks, the Personnel Committee recommended the appointment of Mr. Donald Danforth of St. Louis, Missouri, as a Class C director of the Federal Reserve Bank of St. Louis, for the unexpired portion of the term ending December 31, 1946.

The recommendation was approved unanimously with the understanding that the Chairman of the Federal Reserve Bank of St. Louis would be requested to ascertain informally whether Mr. Danforth would accept the appointment and that the appointment be tendered if he would accept.

There were presented telegrams to Messrs. Flanders, Leach, and McLarin, Presidents of the Federal Reserve Banks of Boston, 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. Caldwell, Federal Reserve Agent at the Federal Reserve Bank of Kansas City, Messrs. Gentry and Earhart, Vice Presidents of the Federal Reserve Banks of Dallas and San Francisco, respectively, stating that the Board approves the establishment without change by the Federal Reserve Banks of St. Louis, Kansas City, and San Francisco on November 20, by the Federal Reserve Banks of Richmond, Atlanta, Chicago, and Minneapolis on November 21,

11/23/45

-6-

1945, and by the Federal Reserve Bank of Boston today of the rates of discount and purchase in their existing schedules.

Approved unanimously.

At this point Mr. Leonard 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 November 21, 1945, were approved unanimously.

Letter to Mr. Davis, President of the Federal Reserve Bank of St. Louis, reading as follows:

"The Board of Governors approves the change in the personnel classification plan of the Federal Reserve Bank of St. Louis, involving the establishment of the position of Superintendent of Building and Maintenance, as submitted with your letter of November 9, 1945."

Approved unanimously.

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

"A Federal Reserve Bank has suggested that it would be desirable if there were a uniform procedure throughout the entire Reserve System as to the treatment of registrations of persons no longer subject to Regulation W. There is not only the question of what to do about new registrations but also what action should be taken with reference to Registrants who have filed in the past.

"We would appreciate having your comments on how this matter should be handled. One troublesome factor is that persons who appear to be exempt when classified according to their principal line of business may occasionally engage in a type of activity subject to the regulation. Also, they may take on additional lines of business in the future. If the registration is cancelled at the present time, reregistration might be required in the future. On the other hand, no Reserve Bank would want to keep on its mailing list names of people who have no interest in the material which would be sent to them. It is possible that

11/23/45

-7-

"some procedure should be worked out which would keep the registrations alive but would remove the names from the mailing list until such time as a request is received for restoration to the mailing list.

"When you send us your comments, will you please accompany them by a report as to the number of persons now registered with your Bank, classified in accordance with the groups shown on the Registration Statement. We should like to have these figures for October 31, 1945, but any recent date will be satisfactory."

Approved unanimously.

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

"Attached you will find a photostat of a letter of November 20, addressed to the Board by the Czechoslovakian Embassy, two photostats of the decrees mentioned in the letter, and one copy of the press release mentioned therein. We understand from the Department of State that its suggestion was that this communication be sent by the Ambassador to you, and we are forwarding it accordingly for attention to Ambassador Hurban's request that publicity be given the release."

Approved unanimously.

Memorandum dated November 21, 1945, from Mr. Carpenter stating that between 40 and 50 employees of the Baltimore Branch propose to visit the Board's building, that the Reserve Board Club would handle the receiving and entertainment of the visitors, and that the suggestion has been made that refreshments be served, at the cost of approximately 50 cents per person, and recommending that the Board approve the expense involved.

Approved unanimously.

11/23/45

Thereupon the meeting adjourned.

Ray Hammond
Assistant Secretary.

Approved:

W. Steeles
Chairman.