

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, November 28, 1945, at 10:30 a.m.

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

Mr. Carpenter, Secretary
Mr. Connell, General Assistant,
Office of the Secretary
Mr. Thurston, Assistant to the
Chairman

The action stated with respect to each of the matters hereinafter referred to was taken by the Board:

Memorandum from Mr. Bethea, Director of the Division of Administrative Services, dated November 27, 1945, recommending that the basic annual salary of Mr. Karl J. Steger, Guard in that Division, be increased from \$1,980 to \$2,034 per annum, effective at the beginning of the next pay roll period on December 2, 1945.

Approved unanimously.

Letter to Mr. Creighton, Federal Reserve Agent at the Federal Reserve Bank of Boston, reading as follows:

"In accordance with the request contained in your letter of November 19, 1945, the Board of Governors approves, effective December 1, 1945, the payment of salary to Mr. John F. Mooney as Alternate Assistant Federal Reserve Agent at the rate of \$4,540 per annum, and supplemental compensation at the same rate paid to the employees of the Federal Reserve Bank of Boston."

Approved unanimously.

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

"Retel November 24, Board approves designation of C. D. Owens as special assistant examiner for Federal Reserve Bank of Atlanta."

Approved unanimously

Letter to Mr. C. M. Stewart, Secretary of the Federal Reserve Bank of St. Louis, reading as follows:

"This is in reply to your two letters of November 19, 1945, advising of the program of postwar salary adjustments approved by the Board of Directors at its meeting of November 8.

"The Board of Governors authorizes your Bank to exceed adjusted maximum annual salaries under the personnel classification plan of your Bank in individual cases by as much as 15% of the first \$3,000 of annual salary, provided that the total annual salary, including any such excess over the adjusted maximum annual salary under the personnel classification plan, shall not exceed \$7,500.

"In accordance with the discussion at the recent joint meeting of the Board with the Conference of Presidents this authorization is granted as a temporary measure to take care of individual cases in the postwar situation pending a comprehensive revision of the personnel classification plan.

"It is noted that under the authorization contained in the Board's letter of October 31, 1945 (S-881), the program as approved by the directors includes the discontinuance of supplemental compensation as such effective as of the close of business November 30, 1945, and the merger of supplemental compensation with the basic salary together with increases in the maximum annual salaries under the personnel classification plan to provide for the merger of supplemental compensation with basic salary effective December 1, 1945.

"You are correct in your interpretation that, since under the authorization granted heretofore no supplemental compensation can be paid which would increase the total of basic salary and supplemental com-

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compensation beyond the rate of \$6,000 per annum, the Board's letter S-881 does not authorize any increase in maximum annual salaries under the personnel classification plan beyond \$6,000 to provide for the inclusion of supplemental compensation.

"The Board of Governors also approves payment of salaries to the following officers for the period December 1, 1945, to May 31, 1946, inclusive, at the rates shown which are the rates fixed by your Board of Directors for the purpose of converting supplemental compensation now received into basic salary:

<u>Head Office</u>		<u>Annual Salary</u>
G. O. Hollocher	Assistant Vice President	\$5,940
Howard H. Weigel	Assistant Vice President	5,540
L. K. Arthur	Assistant Vice President	4,940
<u>Little Rock Branch</u>		
Clifford Wood	Assistant Manager	\$5,240
Clay Childers	Assistant Manager	4,440
<u>Louisville Branch</u>		
Fred Burton	Assistant Manager	\$5,340
S. B. Jenks	Assistant Manager	4,240
L. S. Moore	Assistant Manager	3,840
<u>Memphis Branch</u>		
S. K. Belcher	Assistant Manager	\$5,540
C. E. Martin	Assistant Manager	5,340
H. C. Anderson	Assistant Manager	3,940"

Approved unanimously.

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

"Thank you for your letter of November 15, 1945, enclosing a list of the positions under the personnel classification plan of the Federal Reserve Bank of San Francisco and its Branches together with maximum annual salaries adjusted to include supplemental compensation heretofore

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authorized.

"It is noted from your letter that the adjusted maximum annual salaries are to become effective January 1, 1946, and the Board's copy of your personnel classification plan will be changed accordingly as of that date.

"It is further noted that, at the next meeting of the Board of Directors, consideration will be given to an equalizing adjustment in the salaries of officers receiving less than \$6,000 per annum."

Approved unanimously.

Letter to Mr. R. B. Wiltse, Vice President of the Federal Reserve Bank of New York, reading as follows:

"Reference is made to your letter of November 15, 1945, submitting for the consideration of the Board the proposal of the First Trust & Deposit Company, Syracuse, New York, to acquire the assets and assume the deposit liabilities of The First National Bank and Trust Company of Baldwinsville, Baldwinsville, New York.

"It is understood that the proposed absorption does not involve the establishment of an additional branch by the First Trust and Deposit Company but that the business acquired will be handled by its existing branch in Baldwinsville, and that the proposal has been tentatively approved by the Reconstruction Finance Corporation.

"The Board concurs in your opinion that the proposed transaction will not result in a change in the general character of the assets nor broadening of the functions exercised by the First Trust and Deposit Company within the meaning of condition of membership numbered 4 to which it is subject and will interpose no objection to completion of the transaction as proposed provided prior approval of the appropriate State authorities is obtained and counsel for the Reserve Bank will review and satisfy himself as to the legality of all steps taken to effect the proposed absorption."

Approved unanimously.

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

"This refers to your letter of November 21, 1945, with respect to the question whether a person engaged exclusively in certified public accounting is eligible to serve as a Class B director of a Federal Reserve Bank and, if not, whether he would be so qualified if he is serving on the board of directors of one or more manufacturing concerns.

"A certified public accountant would appear to be in the same category as a lawyer or any other person engaged in a profession and, accordingly, in the absence of facts other than those stated in your letter, it is believed that such a person could not properly be regarded as actively engaged in 'commerce, agriculture or some other industrial pursuit' within the meaning of section 4 of the Federal Reserve Act.

"The question whether such a person would be eligible to serve as a Class B director by reason of membership upon the board of directors of one or more manufacturing concerns cannot well be determined by the Board without information as to the nature of the particular business carried on by such concerns and the extent of the individual's active participation in such business. We shall, of course, be glad to consider this question further, if you desire; and, if an opinion of the Board is deemed necessary, we would appreciate a statement of all the pertinent facts, together with the views of your Counsel."

Approved unanimously.

Letter to Honorable William E. Hess, House of Representatives, Washington, D. C., reading as follows:

"This is with reference to your communication of November 13, 1945, concerning the Board's Regulation W which relates to consumer credit.

"As you know, this regulation is a part of the Government's anti-inflation program and is designed to lessen the influence of credit dollars in expanding

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the demand for goods in short supply, particularly in the field of consumers' durable goods.

"The Board is responsible for the administration of this regulation, subject in matters of general policy to such directives as may be issued by the Office of Economic Stabilization or the Office of War Mobilization and Reconversion. There is also a consultative committee consisting of the Secretary of the Treasury, the Federal Loan Administrator, and the Administrator of the Office of Price Administration.

"The Board is of the opinion that the regulation should be continued until such time as supply is in better relation with demand. With little or no production during the war of goods with which the regulation is most concerned and with current demand increased by a higher level of income, certainly the demand will be far greater than supply for some time to come. The offices referred to in the previous paragraph are in accord with these views. The present circumstances, including those recited, seem to the Board to be quite sufficient to constitute an emergency of the kind contemplated by the act under which Executive Order No. 8843 and Regulation W were issued.

"Modification will be made in the regulation from time to time to meet changes in the underlying situation. There will be occasional revisions in the basic mechanism when required to enable credit grantors to deal with new problems. Credit terms will be liberalized when production has increased to higher levels. It should be emphasized that the regulation will not interfere with the growth of production. High-level production and employment are essential to the well-being of the national economy. Their achievement, however, would be seriously endangered by a postwar inflation and deflation.

"A question has been asked about the applicability of the regulation to small business. It is our opinion that the regulation is applicable to all credit grantors who engage in the kinds of business that are within its scope, regardless of size. Our experience has been that the regulation is regarded favorably by most operators of the smaller establishments.

"We appreciate this opportunity to comment on the administration of the regulation."

Approved unanimously.

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Letter to Honorable Charles H. Elston, House of Representatives, Washington, D. C., reading as follows:

"This is with reference to your letter of November 13, 1945, enclosing a letter from Mr. M. J. Bachrach, President, Leeds Inc., Cincinnati, Ohio. Mr. Bachrach asks several questions about the Board's Regulation W which relates to consumer credit.

"As you know, this regulation is a part of the Government's anti-inflation program and is designed to lessen the influence of credit dollars in expanding the demand for goods in short supply, particularly in the field of consumers' durable goods.

"The Board is responsible for the administration of this regulation, subject in matters of general policy to such directives as may be issued by the Office of Economic Stabilization or the Office of War Mobilization and Reconversion. There is also a consultative committee consisting of the Secretary of the Treasury, the Federal Loan Administrator, and the Administrator of the Office of Price Administration.

"The Board is of the opinion that the regulation should be continued until such time as supply is in better relation with demand. With little or no production during the war of goods with which the regulation is most concerned and with current demand increased by a higher level of income, certainly the demand will be far greater than supply for some time to come. The offices referred to in the previous paragraph are in accord with these views. The present circumstances, including those recited, seem to the Board to be quite sufficient to constitute an emergency of the kind contemplated by the act under which Executive Order No. 8843 and Regulation W were issued.

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"A question has been asked about the applicability of the regulation to small business. It is our opinion that the regulation is applicable to all credit grantors who engage in the kinds of business that are within its scope, regardless of size. Our experience has been that the regulation is regarded favorably by most operators of the smaller establishments.

"We appreciate this opportunity to comment on the administration of the regulation. Mr. Bachrach's letter is returned herewith."

Approved unanimously.

Letter to Mr. Allan Sproul, President of the Federal Reserve Bank of New York, reading as follows:

"This will acknowledge your letter of November 14, in which you refer to correspondence between the Guaranty Trust Company of New York and Chairman Eccles, of which you were not fully apprised at the time, and suggest that it would be helpful both to the Board and the Federal Reserve Banks if correspondents would send their communications to the Board through the Federal Reserve Bank of the district.

"Such a routing of communications, as you know, is both preferred by the Board and generally encouraged. We do find, however, that exceptions are bound to occur, particularly when the correspondent feels that he is pressed by a deadline or happens to set special store by Washington contacts of one sort or another.

"In this particular case certain previous communications on the subject had been sent directly to us because of the urgency of time, with the understanding, however, that copies were being furnished to the Federal Reserve Bank of New York. It was for this reason that we assumed that a copy of the letter of October 23, 1945, from the Guaranty Trust Company had been sent to your Bank.

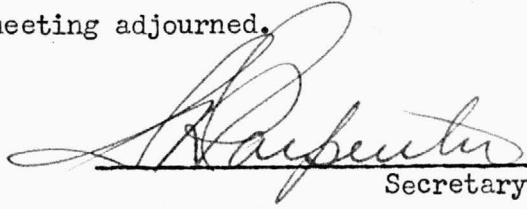
"The Board feels that exceptional cases when communications are sent directly to the Board should be kept to a minimum, and in such cases we will endeavor to keep the Reserve Bank promptly and fully informed."

Approved unanimously.

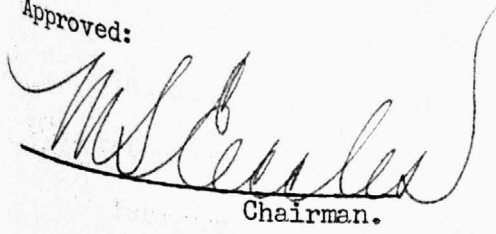
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Thereupon the meeting adjourned.


Secretary.

Approved:


Chairman.