

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

PRESENT: 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:

Telegrams to Messrs. Treiber, McCreedy and Clouse, Secretaries of the Federal Reserve Banks of New York, Philadelphia and Cleveland, respectively. Mr. Dillard, Vice President of the Federal Reserve Bank of Chicago, Mr. Stewart, Secretary of the Federal Reserve Bank of St. Louis, Mr. Caldwell, Chairman of the Federal Reserve Bank of Kansas City, 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 Banks of St. Louis and San Francisco on November 27, and by the Federal Reserve Banks of New York, Philadelphia, Cleveland, Chicago and Kansas City on November 29, 1945, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Memorandum dated November 26, 1945, from Mr. Bethea, Director of the Division of Administrative Services, recommending that

11/30/45

-2-

Robert P. Warner, who has been on military leave, be reinstated as an accounting clerk in that Division, with basic salary at the rate of \$2,430 per annum, effective as of the date upon which he enters upon the performance of his duties after having passed the usual physical examination. Mr. Warner is a member of the Board's Retirement System.

Approved unanimously.

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

"In accordance with the request contained in your letter of November 15, 1945, the Board of Governors approves for a further period of six months beginning November 28, 1945, the payment of salary to Mr. Joseph C. Cosgrove at the rate of \$3,400 per annum, which is \$400 in excess of the maximum for the position of Senior Clerk to which he is presently assigned.

"It is assumed that, prior to the expiration of this additional six month's period, Mr. Cosgrove will be assigned to a position commensurate with his salary.

"The Board of Governors also approves for a further period of six months beginning December 1, 1945, the continuation of Mr. Joseph F. Delaney in an 'unassigned' position in the Cash and Collection Function pending the completion of his rotation throughout the various departments and divisions of the function in connection with your program of rotation of employees.

"The approval of the continuation of Mr. Delaney in the special assignment is given with the understanding that the salary paid him while serving in this assignment will not exceed the maximum established under the personnel classification plan for the position he occupied at the time he was given the special assignment under the program of rotation."

Approved unanimously.

Telegram to Mr. Knoke, Vice President of the Federal Reserve Bank of New York, reading as follows, in answer to his wire advising that it was proposed to grant John J. Clarke, an employee of that Bank, leave without pay for a further temporary period of approximately three months in order that he may continue his work with the Allied Military

11/30/45

-3-

Government in Germany.

"Board acknowledges your telegram re Clarke's return to Berlin and interposes no objection to your proposed extension of his leave."

Approved unanimously.

Letter to Mr. Hilkert, Assistant Vice President of the Federal Reserve Bank of Philadelphia, reading as follows:

"The Board of Governors approves the changes in the personnel classification plan of the Federal Reserve Bank of Philadelphia, involving the Building Department, as requested in your letter of November 5, 1945.

"The Board of Governors also approves the payment of a \$15.00 per month night shift bonus for the employees of the Night Transit Division as further requested in your letter."

Approved unanimously.

Telegram to Mr. James M. Shriver, B. F. Shriver Company, Westminster, Maryland, reading as follows:

"Board of Governors of the Federal Reserve System has appointed you director of the Baltimore Branch of the Federal Reserve Bank of Richmond for the unexpired portion of the term ending December 31, 1947, and will be pleased to have your acceptance by collect telegram."

Approved unanimously.

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

"The Board regrets to learn from your letter of November 21 of the resignation of Mr. Raisty as Assistant Vice President.

"In answer to your inquiry, the Board will interpose no objection to the designation of Dr. Earle Rauber as Manager, Research and Statistics, Statistical and Analytical Department, a non-official position under the personnel classification plan.

"In accordance with your request, returned herewith is the biographical sketch of Dr. Rauber which was enclosed with your letter."

Approved unanimously.

11/30/45

-4-

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

"Receipt is acknowledged of your letter of November 24, 1945, advising that at the meeting of the Board of Directors on November 8, Mr. Earl R. Billen, Manager of the Check Collection Department at the Head Office, was elected Acting Assistant Manager of the Louisville Branch at his present salary of \$4,500.

"It is noted that Mr. Billen's assignment is temporary during the absence of Mr. Stanley B. Jenks, who is on an extended sick leave of absence."

Approved unanimously.

Telegram to Mr. Leedy, President of the Federal Reserve Bank of Kansas City, stating that subject to conditions of membership 1 to 3 contained in the Board's Regulation H, the Board approves the application of "The Pleasant Hill Bank", Pleasant Hill, Missouri, for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Kansas City. The telegram requested that the Federal Reserve Bank advise the applicant bank of the Board's approval of the application and conditions of membership prescribed, together with necessary instructions as to the procedure for accomplishing membership and stated that a letter containing detailed advice regarding such approval would be forwarded to the applicant bank through the Reserve Bank. The telegram contained the following additional statement:

"It is assumed that you will follow the matter of the bank's reducing to within statutory limits the excess balance in a nonmember bank."

Approved unanimously.

11/30/45

-5-

Letter to the board of directors of the "Skagit Valley State Bank", Sedro Woolley, Washington, 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 San Francisco.

Approved unanimously together with a letter to Mr. Day, President of the Federal Reserve Bank of San Francisco, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of the Skagit Valley State Bank, Sedro Woolley, Washington, for membership in the Federal Reserve System, subject to the conditions prescribed in the enclosed letter which you are requested to forward to the Board of Directors of the institution. Two copies of such letter are also enclosed, one of which is for your files and the other of which you are requested to forward to the Supervisor of Banking for the State of Washington for his information.

"Since the amount of losses estimated in the report of examination for membership is relatively small, the usual condition of membership requiring elimination of losses has not been prescribed. It is assumed, however, that proper provision for losses will be made as a matter of sound banking practice.

"The special condition recommended by the Reserve Bank requiring that, prior to admission to membership, the bank be required to reduce excessive loans and investments, and also balances in nonmember banks to within the limits prescribed by State and Federal laws has not been prescribed as it is felt that the necessary corrections may be required more appropriately as an administrative matter. It is assumed, of course, that they will be followed by your office until corrections have been effected."

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

11/30/45

-6-

"This refers to the application of The Peninsula Bank of Ishpeming, Ishpeming, Michigan, for permission to exercise fiduciary powers.

"In view of the information submitted by you, and in accordance with your recommendation, the Board of Governors of the Federal Reserve System grants the applicant bank permission under the provisions of its condition of membership numbered 1, to exercise the fiduciary powers granted to it by the Banking Department of the State of Michigan. The Board's approval is given subject to acceptance by the bank of the following standard conditions prescribed in connection with the admission to membership of State banks exercising fiduciary powers:

1. Such bank shall not invest funds held by it as fiduciary in stock or obligations of, or property acquired from, the bank or its directors, officers, or employees, or their interests, or in stock or obligations of, or property acquired from, affiliates of the bank.
2. Such bank, except as permitted in the case of national banks exercising fiduciary powers, shall not invest collectively funds held by the bank as fiduciary and shall keep the securities and investments of each trust separate from those of all other trusts and separate also from the properties of the bank itself.
3. If funds held by such bank as fiduciary are deposited in its commercial or savings department or otherwise used in the conduct of its business, it shall deposit with its trust department security in the same manner and to the same extent as is required of national banks exercising fiduciary powers.

"You are requested to advise The Peninsula Bank of Ishpeming, Ishpeming, Michigan, of the Board's action and to obtain an appropriate resolution of the board of directors of the bank accepting the conditions listed above and forward a certified copy thereof to the Board."

Approved unanimously.

Letter to Senator H. Alexander Smith reading as follows:

"Chairman Purcell of the Securities and Exchange Commission has forwarded to us your letter of November 10, 1945, enclosing a letter from Mr. Richard L. Scott of Caldwell, New Jersey, relative to margin requirements on accounts with security brokers.

11/30/45

-7-

"Margin requirements are prescribed by the Board under provisions of the Securities Exchange Act of 1934. Most of the activities established under that act are administered by the Securities and Exchange Commission, but the margin requirements were placed under the supervision of the Board as the agency responsible for national credit policy.

"Prior to the adoption of the Securities Exchange Act, the results of unrestrained credit in the security markets were examined in great detail at Congressional hearings. The powers created at that time were the result of the conclusion that security market credit when utilized excessively contributes materially to economic instability and that provision should be made for the restraint of such use.

"We are now in one of the most difficult periods of our history. With the supply of goods short, the demand tremendous, and liquid funds at unprecedented heights, the dangers of inflation are extremely serious. A great volume of money is seeking investment. Under such circumstances, it may well be asked whether any credit at all should be available to swell the already excessive purchasing power.

"The Board has felt that it would not be fulfilling its responsibilities unless it acted to curtail credit in the securities market. Such action by no means solves the problem, but it does serve to prevent what might be a serious aggravation of that problem.

"Mr. Scott quite rightly inquires as to the justification of any act which interferes with an individual's choice as to how he governs his own financial affairs. The answer is that when his free choice combined with the free choices of other individuals interfere with the national welfare, restraint is justified. It is true that he may be prevented from making as large a profit on a particular transaction as otherwise might be possible -- if he has judged the prospects correctly. But his action plus similar actions of others will help to create difficulties of national scope which affect all of us. Few indeed will be those who can escape the consequences of one kind or another.

"Margin requirements do not imply any disapproval of investment in American industry. As a matter of fact, under present conditions most of the proceeds of borrowing go to the sellers of existing securities, not to business concerns. But even if they did, there would be more than sufficient funds available without the borrowing, as has been noted in an earlier paragraph.

"We have been glad to have the opportunity to comment on Mr. Scott's letter, which is returned to you herewith."

Approved unanimously.

11/30/45

-8-

Memorandum dated November 28, 1945, from Mr. Townsend, Assistant General Attorney, suggesting that the Board hear oral argument in the proceeding under Regulation W in the case of the Motor City Credit Jewelry Company, Inc., Van Dyke, Michigan, on Friday, December 14, at 10:30 a.m.

Approved unanimously.

Memorandum dated November 26, 1945, from Mr. Thomas, Director of the Division of Research and Statistics, with further reference to the national survey to be made by the Bureau of Agricultural Economics of the Department of Agriculture, at a cost of not to exceed \$60,000, of individual holdings of liquid assets, which was discussed at the meeting of the Board on November 1, 1945. The memorandum outlined the procedure to be followed in connection with the survey and stated that approximately \$7,500 of the estimated cost would be incurred in 1945 and recommended that an advance not to exceed \$7,500 be made in 1945 toward the work of the survey and that the appropriate item of the non-personal services budget of the Division of Research and Statistics be increased by that amount and that the remaining \$52,500 be similarly treated in 1946.

Approved unanimously, together with the following letter to Mr. Howard R. Tolley, Chief, Bureau of Agricultural Economics, U. S. Department of Agriculture, Washington, D. C. :

"The Board of Governors of the Federal Reserve System would again like to make arrangements with

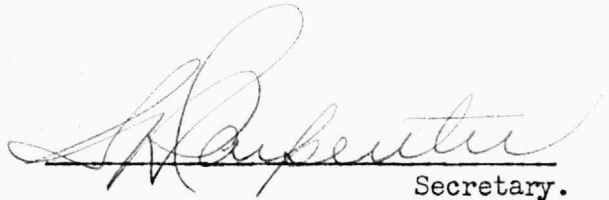
11/30/45

-9-

"the Bureau of Agricultural Economics for the services of your Division of Program Surveys. The Board has authorized the payment of the cost up to \$60,000 for a national survey of individual holdings of liquid assets, thus completing the study started a year ago with two exploratory surveys of holdings in farm and nonfarm groups.

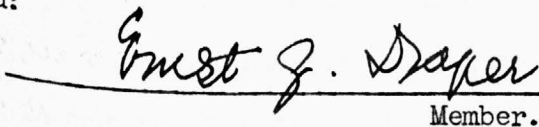
"If arrangements can be made by your Bureau to conduct this survey, the Board agrees to reimburse the Bureau of Agricultural Economics for the cost, not exceeding \$60,000."

Thereupon the meeting adjourned.



Secretary.

Approved:



Member.