

A meeting of the Board of Governors of the Federal Reserve System was held in Washington, on Tuesday, December 18, 1945, at 10:30 a.m.

PRESENT: Mr. Ransom, Vice Chairman
Mr. McKee
Mr. Draper
Mr. Evans

Mr. Carpenter, Secretary
Mr. Hammond, Assistant Secretary
Mr. Connell, General Assistant,
Office of the Secretary
Mr. Morrill, Special Adviser
Mr. Thurston, Assistant to the Chairman
Mr. Vest, General Attorney
Mr. Wyatt, General Counsel

Mr. Ransom stated that he had discussed with Messrs. Morrill, Vest, and Wyatt the provisions of the administrative procedure bill (S-7) which recently had been reported to the Senate by the Senate Judiciary Committee, and that while the bill in its present form was much less objectionable than earlier drafts, there were provisions in the new bill which he felt might have a very important effect on the Board's procedures. For that reason, he said, he had asked that the matter be discussed at this meeting so that all of these questions could be thoroughly considered and the members of the Board acquainted with the provisions of the bill and a decision reached as to what, if any, action the Board might wish to take in connection with the proposed legislation.

In explaining the status of the bill now before the Congress, Mr. Wyatt stated that the revised draft of the bill had been reported

12/18/45

to the Senate by the Senate Judiciary Committee without hearings, that an identical bill had been introduced in the House, and that it was understood that the House Judiciary Committee proposed to hold brief hearings shortly after the end of the year when an effort would be made to push the legislation through both Houses. He also said that the new bill had been materially revised in order to eliminate objections that had been made to earlier drafts of the legislation, and that while according to the information available to the Board no agency of the Government had unqualifiedly endorsed the bill in its present form, it was felt that it had a good chance of being enacted by the Congress. It was suggested, in this connection, that if the Board should decide to present its position to the House Committee, it should be done promptly without waiting for a decision on when the hearings before the House Committee would be held.

Following a discussion, and at Mr. Ransom's request, Mr. Wyatt made a statement in which he explained the provisions of the bill which were of interest to the Board and the possible ways in which they might affect the Board's work and the procedures followed by it. A copy of Mr. Wyatt's statement has been placed in the Board's files.

There ensued a detailed discussion of all of the important provisions of the bill as referred to by Mr. Wyatt, and Mr. Ransom stated that if the members of the Board felt it was important to suggest that the bill be changed, the question for decision would be whether the Board should undertake to get an amendment to the bill on the floor of the

12/18/45

-3-

Senate, or whether its position should be presented to the House Judiciary Committee for consideration in connection with the hearings on the bill before that Committee.

Mr. Wyatt stated that it would be possible to ascertain from individuals working on the bill what the possibility of obtaining an amendment on the Senate floor might be.

There was agreement with the suggestion made by Mr. Vest that nothing should be done to get an amendment on the floor of the Senate unless it was clear that such an amendment would be accepted, the reason being that it would be undesirable to have the legislative history of the bill show a rejection of such an amendment.

During the course of the discussion, reference was made to a statement that might be made by the Chairman of the Senate or House Judiciary Committee during the debates on the bill which would clarify the application of the bill to the Federal Reserve System, and Mr. Vest read a draft of statement which might be used in that connection.

Mr. Evans indicated that he would be opposed to the bill in any form and the other members of the Board were of the opinion that, while the Board probably could operate under the bill in its present form, it would be unwise to endorse it because of the possibility of changes in some of the provisions which would make the legislation highly objectionable from the standpoint of the Board's procedures.

Mr. McKee suggested that Mr. Ransom give further study, in the light of the discussions at this meeting, to what the Board's

12/18/45

-4-

position should be with respect to the bill and that he submit a recommendation for consideration by the Board.

At the conclusion of the discussion, it was understood that Messrs. Vest and Wyatt would prepare a draft of letter to the Chairman of the House Judiciary Committee setting forth the position of the Board with respect to the administrative procedure bill, incorporating therein a draft of statement along the lines of the statement read by Mr. Vest at this meeting, and that when the draft of the letter was satisfactory to Mr. Ransom he would submit it to the Board for consideration.

In taking this action, it was also understood that no attempt would be made to obtain an amendment to the bill on the Senate floor unless it was clear from discussions with individuals who had been working on the bill that an amendment, if proposed by the Board, would be accepted.

There was also discussion of the extent to which notice had been taken or might be taken in the newspapers of the proposed legislation and whether it might be well to discuss the matter with Mr. Sproul, President, and Mr. Logan, Vice President and General Counsel, respectively, of the Federal Reserve Bank of New York so that they might be familiar with the problems involved and be prepared to answer questions from the press and elsewhere regarding them.

At Mr. Ransom's suggestion it was understood that Mr. Wyatt would send to Mr. Logan a copy of the statement which he had prepared regarding the bill and would discuss the bill with Mr. Logan over the telephone and suggest that he study

12/18/45

-5-

the problems involved and be in a position to make suggestions with respect to any action that should be taken in connection therewith.

At this point Messrs. Vest and Wyatt withdrew from the meeting.

The action stated with respect to each of the matters herein-after referred to was then taken by the Board with Chairman Eccles participating:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on December 17, 1945, were approved unanimously.

Memorandum dated December 12, 1945, from Mr. Parry, Director of the Division of Security Loans, recommending that Francis R. Pawley be appointed as Special Assistant in that Division on a temporary basis for an indefinite period, with basic salary at the rate of \$5,180 per annum, effective as of the date upon which he enters upon the performance of his duties after having passed the usual physical examination. The memorandum stated that Mr. Pawley was a member of the Civil Service Retirement System and would remain in that System.

Approved unanimously.

Memorandum dated December 17, 1945, from Mr. Carpenter submitting the resignation of Mrs. Gladys Glover, his secretary, and recommending that the resignation be accepted effective as of the close of business January 11, 1946, and that a lump sum payment be

12/18/45

-6-

made for accrued annual leave remaining to her credit at that time.

The resignation was accepted as recommended.

Memorandum dated December 17, 1945, from Mr. Bethea, Director of the Division of Administrative Services, recommending that the Board approve leave without pay for Mrs. Lyda Sanders, a cafeteria helper in that Division, for the period from noon on October 30 to December 10, 1945, inclusive.

Approved unanimously.

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

"The Board of Governors approves the payment of salaries to the following officers for the period January 1, 1946, to April 30, 1946, inclusive, at the rates shown which are the rates fixed by your Board of Directors, as indicated in your letter of December 11, 1945.

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
Philip M. Poorman	Cashier	\$10,000
Norman G. Dash	General Auditor	6,000
L. E. Donaldson	Assistant Vice President	9,500
Robert N. Hilkert	Assistant Vice President	9,500
Robert R. Williams	Assistant Vice President	6,500
James V. Vergari	Assistant Vice President	6,000
Wallace M. Catanach	Assistant Cashier	6,500

"It is noted from your letter that, effective January 1, 1946, Mr. Poorman will become Cashier and that Mr. McIlhenny will continue as Vice President without change in salary."

Approved unanimously.

12/18/45

-7-

Letter prepared for the signature of Chairman Eccles to Mr. Day, President of the Federal Reserve Bank of San Francisco, reading as follows:

"The Board has been advised by Mr. Wellman in a letter dated December 11, 1945, of your intention to retire at the end of this year and that, in accordance with your wishes, the Federal Reserve Bank of San Francisco has accepted your resignation as President effective December 31.

"We know that you have been looking forward to retirement and on behalf of the members of the Board I want to express to you our sincere appreciation of your services to the Federal Reserve System and to extend our best wishes to you in your well earned rest.

"During your long period of association with the Federal Reserve Bank of San Francisco in various capacities, ranging from Assistant Deputy Governor in July of 1917 to President since April of 1936, you have played a most important part in making the Federal Reserve Bank of San Francisco the efficient organization which it is.

"The meetings of the Presidents will not seem the same without you and we shall miss your visits to Washington.

"With all best wishes for the future and many Happy New Years,"

Approved unanimously.

Letter to Mr. William Willett, First Vice President of the Federal Reserve Bank of Boston, reading as follows:

"Reference is made to your letter of December 4, 1945, submitting for the consideration of the Board, pursuant to the provisions of condition of membership numbered 8 to which the member bank is subject, the request of the Bar Harbor Banking and Trust Company, Bar Harbor, Maine, for approval of a proposed additional investment of \$19,000 in real estate for banking premises.

"In view of your recommendation and the information submitted, the Board will interpose no objection to the

12/18/45

-8-

"proposed additional investment for the stated purpose."

Approved unanimously.

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

"Reference is made to your letter of December 4, 1945, submitting the request of The First-Central Trust Company, Akron, Ohio for approval of the establishment of a branch in Mogadore, Ohio, in connection with the proposed absorption of The Mogadore Savings Bank, Mogadore, Ohio.

"It appears that the absorption of The Mogadore Savings Bank will not result in any change in the general character of assets of The First-Central Trust Company or broadening in the functions exercised by it within the meaning of its condition of membership numbered 1, and the Board will interpose no objection to the proposed purchase of assets and assumption of deposit liabilities.

"In accordance with your recommendation the Board of Governors approves the establishment and operation of a branch in Mogadore, Ohio by The First-Central Trust Company, Akron, Ohio provided the 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 the steps taken to effect the purchase of assets and assumption of liabilities and to establish the branch.

"Your comments with respect to the capital position of The First-Central Trust Company have been noted. While as you state a substantial portion of net profits is being retained in the capital account and the earnings of the trust company are average and improving, it does not appear that earnings will provide commensurate capital within the near future. The substantial growth of the trust company and aggressive expansion policy of the management, as evidenced by the establishment of the branch approved herein and the proposed establishment of a branch within the city in a thickly populated area, would indicate a need for obtaining capital through other means. It is noted, also, that the management of the institution realizes that it is under-capitalized and the Board would be

12/18/45

-9-

"interested in learning of any plans under consideration for increasing capital and of any action that may be taken in this respect at the coming annual stockholders meeting."

Approved unanimously.

Letter to "The Pleasant Hill Bank," Pleasant Hill, Missouri, reading as follows:

"The Board is glad to learn that you have completed all arrangements for the admission of your bank to membership in the Federal Reserve System and takes pleasure in transmitting herewith a formal certificate of your membership.

"It will be appreciated if you will acknowledge receipt of this certificate."

Approved unanimously.

Letter to The Wayne Pump Company, Fort Wayne, Indiana, reading as follows:

"As requested in your letter of December 10, 1945, this will confirm the correctness of your understanding that Regulation W (which imposes certain restrictions upon instalment sales) is not applicable to sales of gasoline dispensing pumps, air compressors, car washers and auto hoists. Regulation W is applicable only to sales of certain articles which are listed in section 13(a) of the Regulation, a copy of which is enclosed for your information.

"The administration of the Regulation has been decentralized and if you have any further inquiries it may be more convenient for you to address them directly to the Federal Reserve Bank of Chicago, Chicago, Illinois."

Approved unanimously, together with a similar letter to Mr. C. B. Moore, Assistant to the Vice President of the Tokheim Oil Tank and Pump Company, Fort Wayne, Indiana, and a letter to Mr. Dillard, Vice President of the Federal Reserve Bank of Chicago, transmitting copies of the two letters.

12/18/45

-10-

Telegram to Mr. Hodge, Assistant General Counsel of the Federal Reserve Bank of Chicago, and Mr. Haefele, Assistant Counsel of the Detroit Branch, reading as follows:

"Oral argument in Motor City Credit Jewelry Company matter postponed to 10:30 a.m. Friday, January 18, 1946."

Approved unanimously, together with a similar telegram to Mr. Hugh W. Allin, Detroit, Michigan.

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

"A Federal Reserve Bank has inquired about the application of section 8(a) of Regulation W, as amended by Amendment No. 18, when the repair, alteration or improvement consists in whole or in part of an article which is still on the list of articles in section 13(a).

"The question arises in those cases where items like attic ventilating fans, linoleum or floor furnaces are installed, and the question essentially is whether the item has become an 'improvement' upon the realty.

"If the item is affixed to the structure so as to become an 'alteration or improvement' upon the realty, it would come within the terms of the exception and the credit would be exempt under section 8(a) even though the item is of a class still included in the list of articles in section 13(a). (This is so because the phrase 'other than articles*** elsewhere listed' which was in Group C is not in section 8(a) as amended.)

"Whether or not the installation is of such a character as to be an 'improvement' would seem to depend on whether the article becomes a part of the realty. This is a matter as to which the decisions of the courts have not been uniform, and the result in particular cases is often affected by an agreement of the parties, the purpose for which the installation was made, the nature of the article (as distinguished from the manner in which it is attached or installed) and other extraneous factors. However, for the purposes of section 8(a)(2) of Regulation W, the Board believes that a credit should be considered

12/18/45

-11-

"to be exempt only when the article is built into the structure in such a way that it cannot be removed without substantial damage to the structure (see S-437-a). Under this rule, anything which can be taken out by the removal of a few screws, leaving the structure as it was formerly, would not be an 'improvement' upon the realty. On the other hand, if a section of the wall, floor or ceiling had been removed in the process of installation and the article had been affixed in that space, removal would require restoration of the wall, floor or ceiling, and the article would be regarded as having become a part of the realty and therefore an 'improvement' within the meaning of section 8(a)(2)."

Approved unanimously.

Letter to Congresswoman Margaret Chase Smith reading as follows:

"This is with reference to your letter of December 11, 1945, enclosing a letter from Mrs. William Coyne, Poland Spring, Maine, which relates to the Board's Regulation W.

"Regulation W places certain limitations on the granting of all forms of consumer credit. It is a part of the Government's anti-inflation program and is designed to keep instalment buying and borrowing from adding unduly to the country's purchasing power which is already far greater than the supply of goods that is available.

"There are simply not enough heaters, stoves, refrigerators and the like to supply the people who want to buy them. These are things which have not been produced during the war or have been produced only in insignificant volume. They are coming back into production slowly. The regulation helps to limit the demand by requiring higher down payments and larger monthly payments so that instead of buying several items and obligating himself over a long period, an individual will get one now and the others later when more will be available.

"Up to 75 per cent of these articles of consumers' durable goods are sold through instalment credit of various

12/18/45

-12-

"kinds. It isn't a question of making them available to the well-to-do who always pay cash for them anyway, for the number bought by the well-to-do is a small proportion of the total. The instalment terms do, however, help to distribute the limited supplies so that each individual has a better chance at getting his fair share and at a reasonable price. The result is by no means perfect but most people seem to feel that it is better to have a regulation of this kind than a totally chaotic situation in which various forms of concealed price rises are resorted to in order to allocate the limited supply. The regulation helps to maintain price ceilings in which all of us as consumers are vitally concerned.

"We have been glad to have this opportunity to comment on Regulation W. Mrs. Coyne's letter is returned to you herewith."

Approved unanimously.

Memorandum dated December 17, 1945, from Mr. Carpenter reviewing the Board's action of December 15, 1944, in authorizing, for the year 1945, the payment without submission to the Board of extra Pullman charges incurred by the Board's examiners in proceeding from one assignment to another whenever the only available Pullman accommodations were at higher rates than were authorized by the Board's travel regulations. The memorandum stated that, in taking this action, it was understood that the amount in each instance would not exceed \$10, and the voucher would be accompanied by a memorandum from the Director or Assistant Director of the Division of Examinations explaining the additional charge and recommending that it be paid. The memorandum recommended, with the concurrence of Mr. Paulger, that, because of continued congestion in rail transportation, the same arrangement be authorized by the Board for the year 1946.

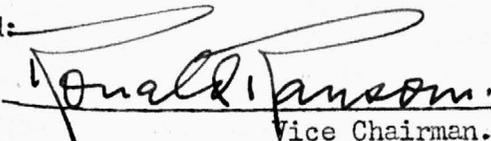
Approved unanimously.

12/18/45

Thereupon the meeting adjourned.


Secretary.

Approved:


Vice Chairman.