

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, January 15, 1946, at 10:30 a.m.

PRESENT: Mr. Eccles, Chairman
Mr. Ransom, Vice Chairman
Mr. Szymczak
Mr. Draper

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 herein-after referred to was taken by the Board:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on January 14, 1946, were approved unanimously.

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

"In accordance with the request contained in Mr. Drinnen's letter of January 8, 1946, the Board of Governors approves the payment of salary to Mr. J. Frank Refuss as Alternate Assistant Federal Reserve Agent at the rate of \$5,950 per annum, effective January 1, 1946.

"In view of the authority contained in the Board's letter of October 31, 1945, S-881, to discontinue supplemental compensation as such and to merge supplemental compensation into basic salary, the Board's records have been changed, effective January 1, 1946, to reflect this conversion with respect to the following members of the Federal Reserve Agent's staff, as indicated:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
Elwood J. Braker	Alternate Assistant Federal Reserve Agent	\$2,553.00

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<u>"Name</u>	<u>Title</u>	<u>Annual Salary</u>
Mrs. Margaret R. Newcomb	Alternate Assistant Federal Reserve Agent	\$2,318.40"

Approved unanimously.

Letter to Mr. Young, President of the Federal Reserve Bank of Chicago, reading as follows:

"The Board of Governors approves payment of salaries to the following officers for the period January 3 through March 31, 1946, at the rates indicated, which are the rates fixed by your directors as reported in your letter of January 4:

<u>Name</u>	<u>Title</u>	<u>Salary</u>
Mark A. Lies	Assistant Vice President	\$9,000
Louis G. Meyer	Assistant Vice President	9,000
John W. Garvy	Assistant General Counsel	8,000
Orville C. Barton	Assistant Counsel	6,450
E. A. Heath	Assistant Cashier and Assistant Secretary	7,000

"Under the customary procedure, salaries for the salary year beginning April 1 are reviewed during the month of March, and you will be advised later as to the recommendations reported in your letter of January 4 for salaries for the new salary year."

Approved unanimously.

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

"Reports received by the Board in response to its letter of March 29, 1945, regarding conditions with which small business would be faced upon discontinuance of production for war and the resumption of full-scale peacetime operations have proved of real help to the Board

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"in its study of the financial needs of small business. Since that time it has become apparent that small business was well supplied with funds to meet reconversion problems. The amount of T-loan financing has been much less than anticipated, and it now appears that in general small business enterprises are in sufficiently sound condition to obtain whatever termination financing they need without guarantees under Regulation V. There may continue to be, however, some worthy small business enterprises that are unable to obtain financing adequate for their requirements on a reasonable basis from the usual financing institutions, and the Board believes that developments in this field should be carefully watched by the Federal Reserve Banks.

"While the monthly reports called for by the Board's letter of March 29, 1945, have served their purpose and may now be discontinued, it will be appreciated if you will advise the Board at least semi-annually of any cases coming to your attention of inadequate financing facilities for small business enterprises. When submitting such reports, the Board will be pleased, of course, to have any comments with regard to them you may care to submit."

Approved unanimously.

Letter to Mr. Baer, Director of Wabash County Veterans' Affairs, Wabash, Indiana, reading as follows:

"This is with reference to your letter of December 10 suggesting a special concession to veterans under the Board's Regulation W which deals with consumer credit.

"As you know, this regulation is a part of the Government's anti-inflation program. The supply of goods, particularly consumers' durable goods, is so short that it has been considered in the best interests of the public as a whole that purchasing on credit be limited.

"We have been much concerned about the problems of the veterans, who are inevitably finding difficulties in reestablishing themselves in civilian life and in creating homes. Our conclusion so far has been that veterans as a group would be hurt rather than helped by a special concession under Regulation W.

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"Veterans have as much interest as, perhaps more than, the general public in the program to hold back inflationary price rises. They will suffer serious losses if they are encouraged by liberal credit terms to load up with wartime merchandise and saddle themselves with debts they cannot repay.

"Moreover, veterans and their families will form a very large part of the population. Almost everyone has a serviceman among his relatives and the serviceman could buy for non-veterans. In consequence, any concession for veterans would go a long way, possibly all the way, in nullifying the regulation. Feeling as we do that inflation presents a serious danger to all of us, and particularly to the veterans who must depend upon peacetime pay, we cannot believe that it would be well to break down even a part of the program which is just barely holding back the tide of price rises. We think that, all in all, the regulation along with other measures will bring about a fairer distribution of the limited supply at prices the veterans can afford.

"Some of the people who are working most closely with returned veterans, as we have noted with interest, do not seem to share the view that Regulation W in its present form is detrimental to the best interests of the individual veteran. This is illustrated, for example, by statements which appeared some months ago in a publication of national circulation ('Retailing Home Furnishings') in an article entitled 'Help Vets Budget Sensibly, Service Center Advises Stores.' The article relates to the experience of the Veterans' Service Center of New York City, which, in the 18 months during which it had then functioned, is said to have been consulted by almost 75,000 members of the armed forces. Two quotations from this article are as follows:

'The most important service home furnishings retailers can give the returning veteran trying to set up a home is to help him budget sensibly within his means.'

'Interestingly enough, the New York Service Center has no complaints to report against Regulation W by servicemen. One spokesman said, however, that he felt there was definite danger in the prewar long-term instalment systems because they might induce the veteran to commit himself for too much.'

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"Fundamentally, the solution to the veterans' difficulties can only come with large-scale production. Until that time, it is possible that something might be accomplished by a priority plan such as is being worked out for housing, but such a plan would appear to be very difficult of administration in the consumer durable goods field.

"We were glad to receive your letter and appreciate the spirit in which it was written."

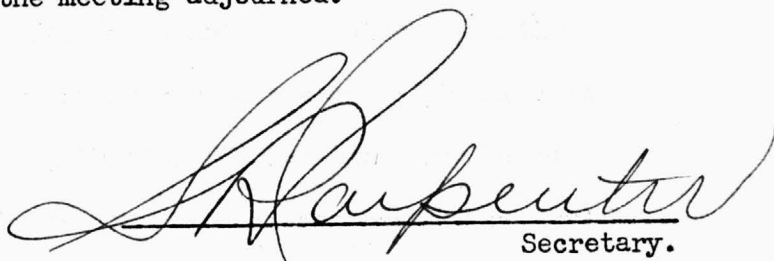
Approved unanimously.

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

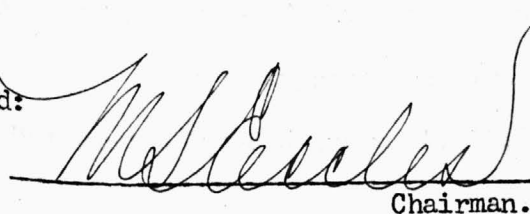
"Receipt is acknowledged of your letter of January 8 enclosing material regarding the plan of the Banco di Napoli to establish representation in New York. We observe that in your proposed draft of letter to the Banco di Napoli you express the understanding that the bank proposes to establish an office in New York for the collection and furnishing of information and the facilitating of trade, and that it is not intended to carry on any banking business or activities that would require a license under Article V of the Banking Law of New York. This proposed draft seems to us to cover the matter satisfactorily. We shall be interested, of course, in receiving a copy of the bank's reply."

Approved unanimously.

Thereupon the meeting adjourned.


Secretary.

Approved:


Chairman.