

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, January 18, 1946, at 10:30 a.m.

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

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. Smead, Director of the Division
of Bank Operations
Mr. Vest, General Attorney

There were presented telegrams to Mr. Flanders, President of the Federal Reserve Bank of Boston, Messrs. Treiber and McCreedy, Secretaries of the Federal Reserve Banks of New York and Philadelphia, respectively, Mr. McLarin, President of the Federal Reserve Bank of Atlanta, Mr. Dillard, Vice President of the Federal Reserve Bank of Chicago, Mr. Stewart, Secretary of the Federal Reserve Bank of St. Louis, and Mr. Mangels, 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 January 15, by the Federal Reserve Bank of Atlanta on January 16, by the Federal Reserve Banks of New York, Philadelphia, Chicago, and San Francisco on January 17, 1946, and by the Federal Reserve Bank of Boston today, of the rates of discount and purchase in their

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existing schedules.

Approved unanimously.

Mr. Vest stated that late yesterday he received a telephone call from Mr. Agnew, Counsel for the Federal Reserve Bank of San Francisco, advising that the Reserve Bank had received a nomination as a Class B director of Mr. Robert S. Erb of Lewiston, Idaho, who was president and manager of a local hardware company and also president of the First Federal Savings and Loan Association of that city, and inquiring whether, in view of his connection with the savings and loan association, the Board would consider him eligible to serve as a Class B director

Mr. Vest pointed out that the Board had ruled that a Federal savings and loan association was not a "bank" within the meaning of the Clayton Act and within the meaning of Section 19 of the Federal Reserve Act relating to reserve requirements and had taken the position that such an association was not a "bank" within the meaning of Section 4 of the Act which prohibits a Class C director of a Federal Reserve Bank from being an officer, director, or stockholder of any bank. He felt, however, that the similarity between the functions of banks and savings and loan associations raised a question of policy whether an officer of such an association should be permitted to serve as a Class B director of a Reserve Bank in view of the fact that the law prohibited a Class B director from being an officer of any bank.

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In the ensuing discussion of the matter, the members of the Board concluded, for the reasons brought out in the discussion, that Mr. Vest should call Mr. Agnew on the telephone and advise him that the Board felt that an effort should be made to have the bank which nominated Mr. Erb withdraw the nomination, that if Mr. Erb should be elected the Board would take the position that he was not qualified to serve as a Class B director unless he resigned as president of the First Federal Savings and Loan Association, and that the Board would leave up to the Reserve Bank the question whether Mr. Erb should be included in the list of candidates to be voted on, in the event the effort to obtain the withdrawal of the nomination were not successful.

Later in the meeting Mr. Vest reported that he had talked with Mr. Agnew who stated that the Reserve Bank would follow the course indicated and would advise the Board of the results by letter.

There was then presented a memorandum dated January 5, 1946, from Mr. Szymczak, submitting a letter under date of December 27, 1945, from Mr. Davis, inquiring whether the Board would see any objection to a payment by the Bank of from \$500 to \$1,000 toward a fund being raised by the United States National Expansion Memorial Association to finance a national contest for the best plan and design for the Jefferson National Expansion Memorial which would be located in St. Louis one block east from the Federal Reserve Bank building which was in the heart of the area most directly affected by the proposed

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memorial. Mr. Szymczak's memorandum gave additional information with respect to the contemplated project and, after referring to the approval by the Board in 1935 of a contribution to a fund being raised for preliminary expenses in connection with the project, recommended that the Board interpose no objection to the further contribution suggested by Mr. Davis.

The file had been circulated among the members of the Board before this meeting and this morning a second letter was received from Mr. Davis stating that the matter had been considered by the board of directors of the Bank at its meeting on January 10, 1946, and that for reasons stated in the letter the directors, subject to approval by the Board of Governors, had approved a contribution of \$2,500 for the purpose stated.

The matter was discussed in the light of the Board's letter of January 16, 1945, to the Federal Reserve Banks relating to expenditures by the Reserve Banks, and question was raised whether the proposed payment would be for a purpose which could be regarded as so related to the affairs of the Bank as to justify the contribution.

Mr. Morrill was requested to call Mr. Davis on the telephone and advise him of the tenor of the discussion during the Board meeting, including the proposal that a letter be sent to all Federal Reserve Banks clarifying and amplifying the position taken in the Board's letter of January 16, 1945. It was agreed that if it should develop during Mr. Morrill's conversation with Mr. Davis that the latter would feel that he or the Federal Reserve Bank would be placed in an embarrassing position if the Board disapproved the proposed payment, Mr. Morrill could say to Mr. Davis that the Board would not interpose any objection to the payment of the sum of \$1,000 as recommended by Mr. Davis.

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It was understood that Messrs. Ransom, Morrill, and Carpenter would prepare for consideration by the Board a draft of letter to all of the Federal Reserve Banks along the lines suggested during the meeting.

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

The action stated with respect to each of the matters hereinafter 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 January 17, 1946, were approved unanimously.

Memorandum dated January 15, 1946, from Mr. Carpenter recommending that John C. Brennan, who has been on military leave, be reinstated in his position as a General Assistant in the Secretary's Office, with basic salary at the rate of \$3,310 per annum, effective as of the date upon which he enters upon the performance of his duties after having passed the usual physical examination.

Approved unanimously.

Letter to Mr. Flanders, President of the Federal Reserve Bank of Boston, reading as follows:

"Receipt is acknowledged of your letter of January 14, 1946, advising of the various actions taken at the meeting of the Board of Directors held on that day.

"It is noted that all officers of the Bank were reappointed for the remainder of the year 1946, with the exception of the President and First Vice President, whose terms are fixed by statute, and that Mr. Alfred C.

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"Neal was appointed Director of Research effective upon his reporting for duty and until December 31, 1946.

"It is also noted that Mr. Charles E. Spencer, Jr., President of the First National Bank of Boston, was selected as the member of the Federal Advisory Council to represent the First Federal Reserve District for the year 1946, and that he has informally accepted the appointment.

"The Board of Governors approves the reappointments of Messrs. Carl P. Dennett, Paul A. Draper, Edward M. Graham, Ralph E. Thompson and J. Colby Lewis as members of the Industrial Advisory Committee for the First Federal Reserve District to serve for terms of one year each beginning March 1, 1946, in accordance with the action taken by your Board of Directors."

Approved unanimously.

Letter to Mr. Caldwell, Chairman of the Federal Reserve Bank of Kansas City, reading as follows:

"Receipt is acknowledged of your letter of January 11, 1946, advising that at the meeting of the Board of Directors held on January 10, all officers of the Federal Reserve Bank of Kansas City and its Branches were reappointed for the year 1946, with the exception of the President and First Vice President, whose terms of office are fixed by statute.

"The Board of Governors approves the payment of salaries to the following officers for the period January 1, 1946, 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 into basic salary, as submitted with your letter.

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
<u>Head Office</u>		
E. U. Sherman	Assistant Cashier	\$5,656
F. W. Alexander	Assistant Cashier	4,956
<u>Denver Branch</u>		
F. H. Larson	Cashier	\$5,156
H. L. Stempel	Assistant Cashier	4,956
Hubert G. Duck	Assistant Cashier	4,156
<u>Oklahoma City Branch</u>		
L. B. Davenport	Assistant Cashier	\$4,956
F. R. Fritz	Assistant Cashier	4,956

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<u>"Name</u>	<u>Title</u>	<u>Annual Salary</u>
	<u>Omaha Branch</u>	
John K. Friedebach	Cashier	\$5,156
U. S. Berry	Assistant Cashier	4,956
William P. Doran	Assistant Cashier	4,156

"It is noted that the title for Mr. T. Bruce Robb has been changed to Director of Agricultural Research and, accordingly, the Board of Governors approves the continuation of the payment of salary to Mr. Robb in his new position at his present rate for the period January 10, 1946, to May 31, 1946, inclusive."

Approved unanimously.

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

"In accordance with the request contained in your letter of January 9, 1946, the Board approves the appointment of John K. Keirsey (who resigned his position as an examiner for the Federal Reserve Bank of New York effective August 18, 1942, to engage in military duty) as an examiner for the Federal Reserve Bank of St. Louis. Please advise us of the date upon which the appointment becomes effective.

"As Mr. Keirsey's appointment at the Federal Reserve Bank of New York was effected several years ago, it will be appreciated if you will submit at your convenience the information concerning him as requested in the Board's letter S-178 of August 25, 1939, together with the supplementary information usually transmitted."

Approved unanimously.

Letter to Mr. Volberg, Vice President of the Federal Reserve Bank of San Francisco, reading as follows:

"In accordance with the request contained in your letter of January 2, 1946, the Board approves the designation of the following as special assistant examiners for the Federal Reserve Bank of San Francisco; effective January 1, 1946:

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<u>"Head Office</u>	<u>Los Angeles Branch</u>	<u>Portland Branch</u>
Albert W. Dorny	D. Barsch	Charles V. Hinman
Kenneth M. Gardner	E. J. Hickman	L. C. Jensen
Geo. H. Maude	O. A. Irving	
Harry O. Miegel	T. E. Palmer	
Harry J. True	O. R. Poole	
	R. W. Ward	

"Appropriate notations have been made in our records of the names reported as deletions.

"It is noted that the following special assistant examiners, whose designations have heretofore been approved, have now returned from military leave: W. G. Landell and D. J. Tough, Head Office; J. S. Leisinger and M. E. Lile, Los Angeles Branch.

"Upon checking the list enclosed with your letter, certain discrepancies were observed in the spelling of the names of several special assistant examiners as may be noted from the following tabulation:

Date Your Request	Name as <u>approved by Board</u>	Date Board <u>Approved</u>	Name as shown on <u>your 1-1-46 list</u>
10- 3-34	G. D. Hartlin	10- 6-34	C. D. Hartlin
12-31-42	R. N. Hellman	1-11-43	R. N. Hellmann
11-15-40	L. Willour	11-19-40	L. A. Willour
3- 9-45	Howard H. Lowry	3-20-45	H. H. Lowry
8-14-45	James A. Randall	8-23-45	J. M. Randall
1- 2-46	D. Barsch *	This date	D. Barsh
2- 1-36	Thomas M. Simmons	2- 8-36	T. M. Simmons

*It is assumed that this is the correct spelling. In the absence of advice from you to the contrary, it will be assumed that the names as approved by the Board are correct."

Approved unanimously.

Telegram to Mr. McLarin, President of the Federal Reserve Bank of Atlanta, stating that, subject to conditions of membership numbered 1 to 6 contained in the Board's Regulation H, the Board approves the application of the "First Savings & Trust Company of Tampa," Tampa, Florida, for membership in the Federal Reserve System and for

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the appropriate amount of stock in the Federal Reserve Bank of Atlanta. 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 bringing into conformity with the provisions of law and the Board's regulations the savings account mentioned on page 16 of the report of examination for membership and it is assumed also that the service of Mr. O. P. Stallings as a director of the applicant bank and the Morris Plan Bank, Tampa, Florida, will be brought into conformity with the provisions of Section 8 of the Clayton Act."

Approved unanimously.

Letter to the "First Trust and Savings Bank," Galva, Iowa, 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.

Telegram to Mr. Leedy, President of the Federal Reserve Bank of Kansas City, reading as follows:

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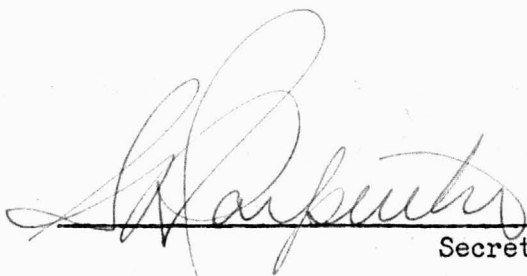
"Retel January 17. It is recognized that there are reasons in favor of Regulation U applying to loans for purchase of investment company shares when assets of investment company consist largely of registered stocks. However, present regulation does not apply to such a loan if investment company shares are unregistered."

Approved unanimously.


Memorandum dated January 17, 1946, from Mr. Bethea, Director of the Division of Administrative Services, recommending, for the reasons stated in the memorandum, that the 1945 budget account, Division of Administrative Services, "General," for Postage and Expressage, be increased by \$2,150.

Approved unanimously.

Thereupon the meeting adjourned.


Secretary.

Approved:


Chairman.