A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, February 1, 1946, at 10:30 a.m.

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

Mr. Carpenter, Secretary
Mr. Connell, General Assistant,
Office of the Secretary
Mr. Morrill, Special Adviser
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 31, 1946, were approved unanimously.

Telegrams to Mr. Flanders, President of the Federal Reserve Bank of Boston, Mr. Treiber, Secretary of the Federal Reserve Bank of New York, 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 29, by the Federal Reserve Bank of Atlanta on January 30, by the Federal Reserve Banks of New York and Chicago on
January 31, 1946, and by the Federal Reserve Bank of Boston today of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Memorandum dated January 29, 1946, from Mr. Paulger, Director of the Division of Examinations, recommending that the salary of Carroll R. Highfield, an Assistant Federal Reserve Examiner, be increased from $3,750 to $3,970 per annum and that his title be changed to Federal Reserve Examiner, both effective February 10, 1946.

Approved unanimously.

Memorandum dated January 29, 1946, from Mr. Bethea, Director of the Division of Administrative Services, recommending that the basic annual salary of each of the following employees in that Division be increased, as indicated below, effective as of the beginning of the next pay roll period following approval by the Board:

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Salary Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>E. P. Jordan</td>
<td>Operating Engineer</td>
<td>$2,496 to $2,562</td>
</tr>
<tr>
<td>Bruce L. Moffett</td>
<td>Operator, Duplicating Devices</td>
<td>1,980 to 2,034</td>
</tr>
<tr>
<td>Louise Wrightson</td>
<td>Charwoman</td>
<td>1,500 to 1,506</td>
</tr>
</tbody>
</table>

Approved unanimously, effective February 10, 1946.

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

"In accordance with the request contained in your letter of January 24, 1946, the Board approves the appointment of

Richard E. Hunke"
"as an examiner for the Federal Reserve Bank of New York, the appointments of William H. Braun, Jr. Vincent C. Butsch Anthony Giachetti Theodore E. Nowak John F. Pierce John H. Vier Albin R. Wenzel as assistant examiners, and the designation of Richard C. Connolly Walter A. Stoecker Dudley L. Welstead as special assistant examiners. Please advise us of the dates upon which the appointments of the examiner and the assistant examiners become effective."

Approved unanimously.

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

"In accordance with the request contained in your letter of January 26, 1946, the Board approves the designation of H. C. Amick as a special examiner for the Federal Reserve Bank of Richmond."

Approved unanimously.

Letter to the board of directors of "The Farmers State Bank," Brookston, Indiana, 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 Chicago.

Approved unanimously, for transmission through the Federal Reserve Bank of Chicago.
In connection with the above matter, the following letter to the Federal Deposit Insurance Corporation was also approved unanimously:

"The Board of Governors of the Federal Reserve System today approved the application of 'The Farmers State Bank', Brookston, Indiana, for membership in the Federal Reserve System, subject to compliance with certain conditions. According to the Board's information the deposits of the bank are not at this time insured by the Federal Deposit Insurance Corporation."

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

"Retel Board extends to February 16, 1946, time within which State Bank of Anoka, Anoka, Minnesota, may accomplish membership."

Approved unanimously.

Letter to Mr. Alvin L. Bear, Los Angeles, California, reading as follows:

"This will acknowledge your letter of January 19, 1946, relating to the Board's margin requirements. You inquire in your letter whether, in view of your personal situation and the state of your brokerage account, there is any way in which a brokerage house can release funds or securities to you for purposes other than financing security transactions. Our regulations do not provide for any special dispensations, since the law naturally contemplates that everybody will be treated alike. You will have noted, however, that it is always possible for a customer whose account is 'frozen' to take down cash or securities if he will pay off his debt to the broker, either by liquidating securities or otherwise. He will then, of course, be in the same situation as anyone would be in case he had not borrowed any money for purchasing securities, and his fully-paid securities could be used, under the present terms of the regulation, as
"collateral for a loan for the purposes you describe in your letter.

"You may already be familiar with the provision of the margin regulations permitting withdrawal of interest and cash dividends received on securities in an account. This is set out in the second paragraph of section 6(g), which appears near the top of page 13 in the enclosed copy of Regulation T.

"You inquire also as to the legal power of the Board to require existing margin accounts to be closed out. At present, as your letter observes, this question is academic, since the Board has not yet imposed any such requirement. In the opinion of counsel, however, legal authority exists in case conditions should seem to the Board to require such action in order to carry out the purposes of the Securities Exchange Act of 1934."

Approved unanimously.

Letter prepared for the signature of Chairman Eccles to Mr. Leland, Chairman of the Federal Reserve Bank of Chicago, in accordance with the request of the members of the Board following informal discussions of what, if any, action should be taken in connection with Mr. Leland's recent address at the University of Pittsburgh's Institute on Business and Economic Problems:

"This letter is prompted by your recent public address at the University of Pittsburgh's Institute on Business and Economic Problems in which you discussed certain proposals for the management of the public debt. You were quoted widely and our first knowledge of the address came from press and banking sources after it had been delivered. We have had numerous inquiries endeavoring to ascertain whether, in view of the fact that you are Chairman of the Federal Reserve Bank of Chicago, the Board agreed or disagreed with your views, or whether, in effect, you were sending up a trial balloon on behalf of the Board. These inquiries naturally have been embarrassing because in your position as Chairman you are also the Board's official representative at the Federal Reserve Bank and you had not informed
"the Board in advance of your proposed address or provided any opportunity to discuss its advisability. It has been necessary, of course, to emphasize in our replies the fact, as you stated at the time, that you were speaking only for yourself. Nevertheless, this response has not been satisfactory to many, particularly bankers and newspaper correspondents. Their point of view is illustrated by the following quotation from the Chicago Journal of Commerce:

"You get a strong impression from the Leland speech that the Federal Reserve System has considerably more than an academic interest in the proposal. The professor said he spoke as an individual and not as chairman of the Federal Reserve Bank of Chicago. The average man will have a little difficulty picturing Leland, the professor of public finance, harboring ideas and convictions not also entertained by Leland, the reserve bank chairman."

"You and I have discussed at length on previous occasions the conditions which affect the advisability of speeches and other publications by chairmen, as well as by full-time officers of Federal Reserve Banks, on subjects of national policy which concern the Federal Reserve System. I have pointed out to you the difficulty and, in fact, the impossibility of disassociating yourself in the public mind from your official position and its relationship to the Government. I understood from our conversations that you were in complete agreement with me on the general principles involved. Your speech at Pittsburgh, however, not only departed from what I had understood was a full understanding between us, but it came at a most inappropriate time because the subject matter is currently under discussion by the Federal Open Market Committee and the Treasury. Later developments may raise a serious question in the minds of many as to the interpretation which should be given to our statements that you were speaking entirely for yourself and without previous consultation with the Board regarding the subject matter.

"The Board is of one mind in regard to the unsatisfactory situation exemplified by this episode and, accordingly, has suggested that you should, at your earliest convenience, come to Washington so that we may discuss with you the desire, which I am sure you share with us, to come to some decision which will best meet the situation from the standpoint of the Board and the System as well as from your own."
"I would appreciate it, therefore, if you would advise me as to when it may be possible to come to Washington in accordance with this request."

Approved unanimously.

Thereupon the meeting adjourned.

Approved:

Chairman.

Secretary.