

4212 A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, February 21, 1946, at 10:50 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. Smead, Director of the Division
of Bank Operations
Mr. Vest, General Attorney
Mr. Thomas, Director of the Division
of Research and Statistics

Mr. Eccles stated that Mr. Anderson, Secretary of Agriculture, telephoned him yesterday and advised that at a conference with the President and others interested in the world food problem, it had been decided to ask for the services of Mr. Davis, President of the Federal Reserve Bank of St. Louis, for a period of 30 days to coordinate the activities of the various interested agencies in expediting transportation of food abroad and to handle the publicity in this country in connection with the problem. Mr. Anderson presented the matter to Mr. Davis, Chairman Eccles said, who felt that he had been away from the Bank so much that he could not ask for another leave of absence but that it would be all right if Mr. Anderson wanted to take it up with the Board. Chairman Eccles added that he told Mr. Anderson that since Mr. Davis was selected by the board of directors of the St. Louis

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Bank, the matter should be taken up with them, and that if Mr. Davis and the directors felt he should accept the assignment and be away from the Bank, he (Chairman Eccles) would recommend approval by the Board. No action was called for until the Board heard further from Mr. Davis or the Federal Reserve Bank of St. Louis.

The Secretary reported that telegraphic advices had been received from the Federal Reserve Banks of Cleveland, St. Louis, and San Francisco advising of the establishment without change of the rates of discount and purchase in the Bank's existing schedules, and that similar advices would be received today from the Federal Reserve Banks of New York, Philadelphia, Chicago, and San Francisco.

Upon motion by Mr. Evans, it was voted unanimously to advise the Banks referred to that the Board approves the establishment without change by the Federal Reserve Banks of St. Louis and San Francisco on February 19, 1946, and by the Federal Reserve Banks of New York, Philadelphia, Cleveland, Chicago, and San Francisco today of the rates of discount and purchase in their existing schedules.

Mr. Eccles stated that, in accordance with the suggestion made at the meeting of the Board on January 31, 1946, Mr. Thomas had studied the monetary effect of action by the Board to increase reserve requirements of member banks in central reserve cities to

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the maximum provided by law, and that it appeared that the action, if taken, would increase required reserves by approximately \$1.5 billion. Mr. Eccles suggested that, inasmuch as it might be found desirable to take such action in the future as a part of the overall credit policy of the System, the other members of the Board study particularly the problem of the proper timing of the action. It was understood that copies of a memorandum prepared in the Division of Research and Statistics on this subject under date of February 21, 1946, would be sent to all of the members of the Board.

There was then presented a memorandum dated January 30, 1946, from Mr. Vest, General Attorney, to Mr. Ransom submitting a routine request from the Banking and Currency Committee for a report on Senate Bill 1752, which would increase from \$5,000 to \$15,000 the amount of each deposit insured under the Federal Deposit Insurance Corporation and recommending, in view of the improbability of the bill being considered, that no report be made. Mr. Ransom had attached a memorandum to the file under date of January 30, 1946, concurring in Mr. Vest's recommendation.

In connection with the above matter, Mr. Ransom referred to the procedure adopted at the meeting of the Board on May 12, 1943, which provided that when a routine or other request was received from Congress for a report on proposed legislation, it be circulated among the members of the Board in order that they might have an opportunity

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to suggest that the matter be discussed or that a report be prepared, and that requests of this nature be placed on the docket with a recommendation from Mr. Ransom in each case as to whether a report should be made. Mr. Ransom suggested that this procedure be changed to provide that the memorandum containing his recommendation shall be placed on the docket for consideration at a regular meeting of the Board only when a member of the Board had some question or felt that the matter should be handled in a manner different from that recommended by Mr. Ransom.

At the conclusion of a discussion, it was unanimously agreed to approve (1) the recommendation made by Mr. Vest and (2) the change in procedure suggested by Mr. Ransom.

Mr. Evans read a letter dated January 19, 1946, which he had received from Honorable J. E. Wells, Jr., Deputy Governor of the Farm Credit Administration, stating that the Presidents of the Federal Land Banks would meet in Washington on March 4, to review again the procedure with respect to the sale of Consolidated Federal Farm Loan Bonds, and inviting him (Mr. Evans) to attend the meeting for the purpose of discussing the possibility of using the facilities of the Federal Reserve Banks as fiscal agents for getting out circulars and taking subscriptions for future issues of Federal Land Bank Bonds, much as had been done in the past with respect to issues of Government securities. Mr. Evans said that he and Messrs. Morrill and Piser of

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the Board's staff had had informal discussions concerning the matter with representatives of the Farm Credit Administration, that the latter had taken the matter up with the Treasury, that on January 25 the Treasury telegraphed each of the Federal Reserve Banks asking for estimates of the cost of handling the operation, and that all of the Reserve Banks had replied. In its letter of February 6, 1946, the Federal Reserve Bank of New York had expressed the opinion, for reasons outlined in the letter, that the suggested procedure was not a desirable one and the Federal Reserve Bank of Chicago, in its reply of February 11, stated that the Bank preferred that offerings of Federal Farm Loan Bonds be made through regular investment banking channels. Mr. Evans said he was bringing the matter up at this time for the purpose of ascertaining the views of the other members of the Board before the meeting of the Presidents of the Federal Land Banks.

In a discussion, some of the members of the Board concurred in the suggestion of Mr. Eccles that, as Federal Farm Loan Bonds were not guaranteed by the Government and were ineligible for purchase by the System open market account, it was not advisable for the Federal Reserve Banks to act as the instrumentality of the Government in the distribution of the bonds, and that if the facilities of the System were used for that purpose it might raise the question of support of

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the bonds in the market. It would also raise the question, he said, whether the same service should be performed for other agencies such as the Federal Housing Administration, and the Home Owners' Loan Corporation, and he suggested that if the purpose was to save expense, provision should be made in the law for a Government guarantee on all such issues so as to take advantage of a lower rate and to make them eligible for purchase by the Federal Reserve Banks so that the question of market support would not arise and any purchases made by the Reserve Banks would be in accordance with System credit policies and not for the purpose of market support.

Mr. Szymczak inquired whether this was a matter that should be discussed by the Federal Open Market Committee. However, in a further discussion Messrs. Eccles, Ransom, Szymczak, and Draper expressed the opinion that the facilities of the Federal Reserve Banks should not be made available at this time for the marketing of Federal Loan Bonds, and it was agreed that the matter should not be taken up with the Federal Open Market Committee.

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

The action stated with respect to each of the matters hereinafter referred to was then taken by the Board:

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The minutes of the meeting of the Board of Governors of the Federal Reserve System held on February 20, 1946, were approved unanimously.

Memorandum dated February 15, 1946, from Mr. Thomas, Director of the Division of Research and Statistics, recommending that Orville K. Thompson be appointed as an Economist in that Division on a temporary basis for an indefinite period, with salary at the rate of \$3,200 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. Thompson would become a member of the Federal Reserve Retirement System unless he still has funds in the Civil Service Retirement System from his employment in the War Department.

Approved unanimously.

Memorandum dated February 15, 1946, from Mr. Thomas, Director of the Division of Research and Statistics, recommending that Miss Lavonne J. Funk be appointed as a clerk-typist in that Division on a temporary basis for an indefinite period, with salary at the rate of \$1,704 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed the usual physical examination. The memorandum stated that Miss Funk would become a member of the Federal Reserve Retirement System.

Approved unanimously.

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Memorandum dated February 14, 1946, from Mr. Bethea, Director of the Division of Administrative Services, recommending that Miss Patricia A. Wahler be appointed as a page in that Division on a temporary basis for an indefinite period, with salary at the rate of \$1,506 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed the usual physical examination. The memorandum stated that it was not contemplated that she would become a member of the retirement system.

Approved unanimously.

Letter to Mr. Ruml, Chairman of the Federal Reserve Bank of New York, reading as follows:

"This is to acknowledge your letter of February 16, 1946, with regard to the action of the Board of Directors at their meeting of February 7, 1946.

"The Board of Governors approves the appointment of Mr. Allan Sproul as President, and of Mr. Leslie R. Rounds as First Vice President of the Federal Reserve Bank of New York, each for a term of five years beginning March 1, 1946.

"The matter of appointments has been acted upon in advance of any consideration of salaries, which has been deferred until the salaries of the Presidents and First Vice Presidents of all of the Federal Reserve Banks can be reviewed at the same time, or of the proposals in your letter regarding the liberalization of retirement benefits as part of compensation policy."

Approved unanimously.

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

"The Board of Governors approves the changes in the personnel classification plan of the Federal Reserve

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"Bank of Dallas, involving the establishment of the position of Administrative Assistant (C) and the addition of the symbol 'D' to the present positions of Research Assistant, Statistical Clerk, and Administrative Assistant, as requested in your letter of February 11, 1946."

Approved unanimously.

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

"Retel February 20, 1946. Board approves designation of Wilbur W. Lawrence as special assistant examiner for the Federal Reserve Bank of Atlanta."

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 February 15, 1946, the Board approves the designation of

C. C. Armfield, Jr.

W. L. Gilliam, Jr.

L. N. Fourqurean

W. C. Wilson

M. B. Harris

as special assistant examiners for the Federal Reserve Bank of Richmond."

Approved unanimously.

Letter to Mr. Sheehan, Chief Examiner of the Federal Reserve Bank of New York, reading as follows:

"Reference is made to your letter of February 14, 1946, submitting for the consideration of the Board of Governors, pursuant to condition of membership numbered 8 to which the member bank is subject, the proposal of the Washington Irving Trust Company, Port Chester, New York, to invest from \$25,000 to \$30,000 additional in

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"banking premises to provide quarters for a proposed branch in Port Chester.

"In view of your recommendation, the Board will interpose no objection to the additional investment in banking premises as proposed. It is assumed, of course, that approval of the appropriate State authorities will be obtained for completion of the transaction as proposed."

Approved unanimously.

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

"Relet thirteenth. In view your recommendation Board approves exercise by Nevada Bank of Commerce, Elko, Nevada, of all trust powers authorized under its articles of incorporation and the laws of the State of Nevada, subject to its acceptance by formal resolution of its board of directors of the three standard trust conditions. Please obtain and forward certified copy of resolution."

Approved unanimously.

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

"Relet thirteenth. In view your recommendation Board approves establishment and operation of branch in Reno, Nevada, by Nevada Bank of Commerce, Elko, Nevada, with understanding that Counsel for the Reserve Bank will review and satisfy himself as to the legality of all steps taken to establish the branch."

Approved unanimously.

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

"Relet February 15. In view your recommendation Board approves establishment and operation of a branch in North Sacramento, California, by American Trust

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"Company, San Francisco, California, with understanding that Counsel for the Reserve Bank will review and satisfy himself as to legality of all steps taken to establish the branch."

Approved unanimously.

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

"Your letter of February 11 commenting on the question raised in the Board's letter of January 31 concerning the desirability of terminating the reserve city status of reserve cities other than those in which Federal Reserve Banks and branches are located has been brought to the Board's attention.

"In view of the circumstances brought out in your letter and of your suggestions, it would not seem to be worth while to discuss the matter at this time even on a confidential basis with bankers in Indianapolis, Des Moines, and Milwaukee. There is, of course, no objection to your discussing the subject with President Leedy of the Federal Reserve Bank of Kansas City."

Approved unanimously.

Memorandum dated February 15, 1946, from Mr. Carpenter submitting drafts of entries for the record maintained by the Board, in accordance with the provisions of the last paragraph of section 10 of the Federal Reserve Act, with respect to the policy actions taken by the Federal Open Market Committee during the year 1945. The memorandum stated that the draft of record had been revised in the light of suggestions received from one of the representative members of the Federal Open Market Committee.

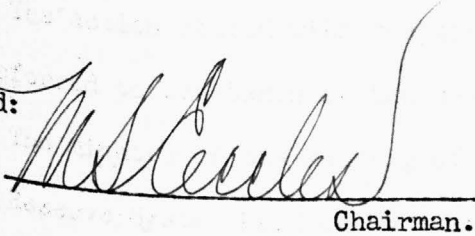
Approved unanimously.

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Thereupon the meeting adjourned.


Secretary.

Approved:


Chairman.