

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, March 6, 1946, at 10:30 a.m.

PRESENT: Mr. Eccles, Chairman  
Mr. Ranson, 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 March 5, 1946, were approved unanimously.

Memorandum dated March 1, 1946, from Mr. Bethea, Director of the Division of Administrative Services, recommending that Miss Alice C. Brown be appointed to the position of clerk in the Publications Section of that Division, on a temporary indefinite basis, at a salary of \$1,836 per annum, effective as of the date upon which she commences the performance of her duties, after having passed the usual physical examination. The memorandum stated that Miss Brown would become a member of the Board's Retirement System.

Approved unanimously.

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Memorandum dated February 27, 1946, from Mr. Smead, Director of the Division of Bank Operations, recommending that James P. Wooten be appointed as an accounting clerk in that Division, at a salary of \$2,100 per annum, effective as of the date he enters upon the performance of his duties, after having passed the usual physical examination. The memorandum stated that Mr. Wooten had not withdrawn from the Civil Service Retirement System and, therefore, would not become a member of the Federal Reserve Retirement System.

Approved unanimously.

Memorandum dated February 27, 1946, from Mr. Thomas, Director of the Division of Research and Statistics, recommending that Miss Marilyn J. Turkal be appointed as a Clerk in that Division, on a temporary indefinite basis, with a salary at the rate of \$1,770 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 Turkal would become a member of the Federal Reserve Retirement System.

Approved unanimously.

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

"The Board of Governors approves the payment of salary to Mr. Peter P. Lang, Acting Manager, Foreign Department, for the period February 26, 1946, to March 31, 1946, inclusive, at the rate of \$6,800 per annum, which is the rate fixed by your Board of Directors as reported in your letter of February 27, 1946."

Approved unanimously.

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

"The Board of Governors approves the changes in the personnel classification plan of the New Orleans Branch, involving the establishment of the position of Federal Reserve Agent's Representative and the change in the titles of two positions, as submitted with your letter of February 28, 1946."

Approved unanimously.

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

"Recently a Federal Reserve Bank informally raised the question as to the extent separation allowances paid employees in Fiscal Agency Departments, who are discharged because of a decrease in Fiscal Agency activities, should be included in claims for reimbursement of expenses.

"The above-mentioned question was considered by the Presidents' Conference Committee on Free Services and Reimbursable Expenses and in its report dated February 25, 1946, it stated 'It is the opinion of the Committee that under present circumstances claims filed with Government Departments, agencies, or corporations for reimbursement for separation allowances of this kind should not be for more than one month's salary in each case.' This matter has since been discussed with an official of the Treasury Department who concurred in the opinion expressed by the Committee and suggested that employees on terminal leave be listed in reimbursement claims in the same manner and with the same detail as is the case with any other employees on leave with pay.

"It will be appreciated if you will advise the Board whether the above procedure is satisfactory to your Bank."

Approved unanimously.

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

"As agreed upon at recent conference of Presidents with Board, a System conference on Regulation W is being

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"called to be devoted primarily to enforcement.

"It will meet in Washington starting Monday morning, April 8, and ending Wednesday morning, April 10.

"Suggestions by wire for topics or questions to be put on agenda are invited and will be appreciated. Topics to be put on by direction of Board will be designed to stress (1) improbability, for reasons symbolized by promotion of Chester Bowles, of any substantial early relaxation of regulation or any early decrease in total number of Registrants, (2) strong prospect of increased difficulty, as goods become somewhat more available, in keeping Registrants educated and disciplined to comply with regulation, and (3) consequent need for continuing and in some districts expanding activities directed to that end and also strengthening these activities, presumably for the most part along lines already developed on Reserve Bank initiative in one Federal Reserve district or another.

"Since time for preparation of agenda and advance preparation by participants is short, we propose to develop agenda by stages and report to you by wire accordingly. We also propose to reserve adequate time on the designated days for consideration of items not formally scheduled on agenda. It is clear already that representative of each Reserve Bank should be prepared to describe Bank's program for remainder of this year.

"It is desired that each Reserve Bank should send one senior officer of the Bank, and feel free to send not more than one additional man who is working on Regulation W.

"Please let us know as soon as possible who will represent your Bank and in case you wish us to make hotel reservations please let us know."

Approved unanimously.

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

"Enclosed is a copy of a letter addressed to the Board by Mr. Kirby Jones, Kirby Jones Furniture Co., Jackson, Tennessee, dated February 18, 1946, inquiring whether the fact that an obligor is on strike may be a reason for the acceptance by a Registrant of a Statement of Necessity under Regulation W.

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"As you know, section 10(d) of the Regulation provides that a Statement of Necessity must show that the contemplated action is necessary in order to avoid undue hardship 'resulting from contingencies that were unforeseen' by the obligor at the time of the original extension of credit 'or which were beyond his control'. Generally speaking, it is probably fair to assume that a strike is not within the control of an individual employee who is a member of a union, and, therefore, it would seem that in the usual case the fact that the obligor is on strike could properly be the basis for a Statement of Necessity if the other requirements of section 10(d) are met. In most cases it would probably also be true that the strike was a contingency not foreseen by the obligor at the time of the extension of credit, although this would, of course, depend upon the circumstances of the particular case.

"It may be that your Bank has some additional information regarding the circumstances which gave rise to this inquiry, but in any event it will be appreciated if your Bank will reply to Mr. Kirby's letter."

Approved unanimously.

Letter to Banco de Mexico, S. A., Mexico, D. F., Mexico,

reading as follows:

"We acknowledge with thanks your letter of February 25 enclosing a list which shows the disposition of stock of the Pan American Trust Company formerly held by you. We note that you are conferring with the Banks of Mexico City regarding the sale of the 4,884 shares still in your possession. We acknowledge with pleasure the success of your efforts, which leave so small a portion of your original holdings still to be disposed of, and have no doubt that the disposal of these shares and the resale of the 13,200 shares held by Banco Nacional de Comercio Exterior, S. A. and Nacional Financiera, S. A. will be accomplished with equal success."

Approved unanimously.

Memorandum dated March 1, 1946, from Mr. Szymczak recommending for the reasons stated in the memorandum that the Board advise Mr. Clerk, President of the Federal Reserve Bank of San Francisco, that

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the Board will interpose no objection to the expenditure by the San Francisco Bank of \$140,000 for the two pieces of property in Portland which have been offered to the Bank at that price, or of not to exceed \$160,000 for these two properties and the adjoining lot on Ninth Avenue.

Approved unanimously.

Letter to Senator George, Chairman of the Finance Committee of the Senate, prepared pursuant to action at the meeting of the Board on March 5, 1946, and reading as follows:

"Your attention is invited to the bill H.R. 2948, to amend the Civil Retirement Act so as to exempt annuity payments under that Act from taxation. This bill has passed the House of Representatives and it is understood that the bill is now being considered by your committee.

"Although the Board has not been requested to make a report on this bill, it feels that it should express to you its views concerning this legislation for the consideration of your committee. In the opinion of the Board, the bill, which is essentially a tax bill creating exemptions for a particular class of taxpayers, is unsound and discriminatory. Similar objections have been stated in detail by the Secretary of the Treasury in a letter to the Chairman of the Committee on Ways and Means, dated September 21, 1945. The Board concurs fully with the views expressed in Secretary Vinson's letter. To avoid further inequities, amendments in the tax treatment of annuity incomes under the Civil Service Retirement System should be delayed until the general subject of taxation of annuity incomes is reconsidered.

"If at that time Congress should decide to create new tax exemptions in accordance with the provisions of the proposed legislation, then the Board believes that all similar annuities, whether public or private, should be accorded the same tax treatment. This would include the retirement system of the Federal Reserve Banks, which covers the employees of the Banks and the Board.

"In addition, the Board believes that this is not the time to take further steps in the direction of tax

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"reduction, even though they may be relatively small in magnitude. Any such step to reduce tax liabilities by widening exemptions or otherwise would cast doubt on the intention of the Congress to curb inflationary pressures by balancing the budget as soon as possible."

Approved unanimously.

Memorandum dated March 5, 1946, from Mr. Smead, Director of the Division of Bank Operations, reading as follows:

"Last year the Presidents' Conference Committee on Free Services and Reimbursable Expenses, of which Mr. Gilbert is Chairman, took up with the Treasury the question of simplifying to a considerable extent the vouchers submitted to Governmental agencies for reimbursement of fiscal agency expenses. The vouchers are now submitted in great detail and carry with them copies of all telegrams sent and received that are chargeable to the Government, and various other details. Mr. Bell, Under Secretary of the Treasury, discussed the matter with the General Accounting Office and that Office indicated its willingness to go along with the simplified voucher program, provided the General Accounting Office was permitted to examine the fiscal agency expense records of the Federal Reserve Banks. This program was not satisfactory to the Board or to the Federal Reserve Banks and the matter was dropped.

"Recently Mr. Slaughter of the General Accounting Office told Mr. Bartelt that the matter had been under consideration by his office for some time and that he would be interested in cutting down, so far as practicable, the large volume of work now connected with the processing of the vouchers. He suggested that if he, together with a representative of the Treasury and of the Board of Governors, could visit one of the Federal Reserve Banks so that he could familiarize himself with the procedure followed by the Federal Reserve Banks in accumulating their reimbursable expense figures, he would be inclined, provided the system appeared satisfactory, to recommend to the General Accounting Office that simplified vouchers be accepted by that Office without reserving the right to check the vouchers against the records of the Federal Reserve Banks. Mr. Bartelt asked me whether the System would be agreeable to such a plan and I told him that so far as I was concerned it seemed to be satisfactory and might result in considerable saving in time

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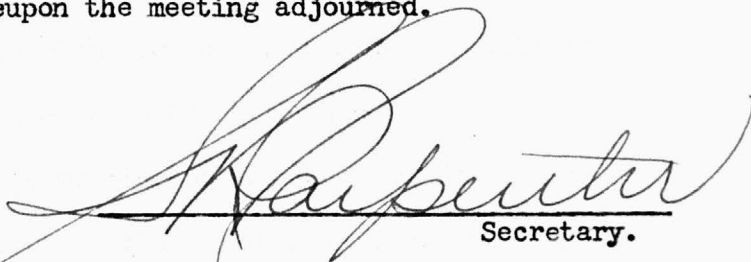
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"and expense. I told him, however, that I would talk with some of our people about the matter and call him back.


"When Mr. Gilbert was here last week attending the Presidents' Conference I talked with him about the matter, and he in turn discussed it at the Presidents' Conference. After the Conference he reported to me that all of the Presidents were sympathetic to such a program. After talking with Mr. John Davis, First Vice President, Federal Reserve Bank of Philadelphia, and Mr. John Walden, First Vice President, Federal Reserve Bank of Richmond, we propose to advise Mr. Bartelt that the proposed meeting is agreeable to us and that we would suggest a visit to the Federal Reserve Bank of Philadelphia for the purpose."

Approved unanimously.

Thereupon the meeting adjourned.

  
Secretary.

Approved:

  
Chairman.