

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, May 24, 1946, at 10:30 a.m.

PRESENT: Mr. Eccles, Chairman
Mr. Szymczak
Mr. Draper
Mr. Evans

Mr. Carpenter, Secretary
Mr. Thurston, Assistant to the Chairman

As stated in the minutes of the meeting on May 8, 1946, Mr. Vardaman was absent on official business.

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

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on May 23, 1946, were approved unanimously.

Telegrams to Mr. Whittemore, President of the Federal Reserve Bank of Boston, Mr. Treiber, Secretary of the Federal Reserve Bank of New York, Mr. McCreedy, Vice President of the Federal Reserve Bank of Philadelphia, Mr. Walden, First Vice President of the Federal Reserve Bank of Richmond, 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, Mr. Ziemer, Vice President of the Federal Reserve Bank of Minneapolis, Mr. Caldwell, Chairman of the Federal Reserve Bank of Kansas City, Mr. Gilbert, President of the Federal Reserve Bank of Dallas, 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 Bank of San Francisco on May 21, by the Federal Reserve Bank of Atlanta on May 22, by the Federal Reserve

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Banks of New York, Philadelphia, Richmond, Chicago, St. Louis, Minneapolis, Kansas City, and Dallas, on May 23, and by the Federal Reserve Bank of Boston, today, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Memorandum dated May 22, 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 to the amount set opposite his name, effective at the beginning of the next pay roll period following approval by the Board:

<u>Name</u>	<u>Title</u>	<u>Proposed Increase</u>	
		<u>From</u>	<u>To</u>
Helen B. Wolcott	Secretary to Mr. Bethea	\$2,760	\$2,870
Ida Goodloe	Supervisor, Stenographic Section	2,870	2,980
Frank W. Constable	Operator, Duplicating Devices	2,298	2,364
Franklin Taylor	Operator, Duplicating Devices	2,100	2,232
E. J. Weeks, Sr.	Assistant Foreman of Laborers	2,100	2,166
Ralph A. Sherrod	Operator, Duplicating Devices	2,040	2,100
Preston E. Fowler	Laborer	1,680	1,704

Approved unanimously, effective June 2, 1946.

Memorandum dated May 23, 1946, from Mr. Bethea, Director of the Division of Administrative Services, recommending that Mrs. Ruth Dorsey be appointed as a charwoman in that Division, on a temporary basis for a period of two months, with salary at the rate of \$1,440

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per annum, effective as of the date upon which she enters upon the performance of her duties after having passed the usual physical examinations. The memorandum stated that it is not contemplated that Mrs. Dorsey will become a member of the retirement system during her temporary appointment.

Approved unanimously.

Letter to Mr. Laning, Vice President and Cashier of the Federal Reserve Bank of Cleveland, reading as follows:

"In your letter of May 16, 1946, you request the Board's approval of the payment of salaries to two employees of the Pittsburgh Branch, George J. G. Anderson and C. Clyde Phillips, from July 1, 1946, to December 31, 1946, inclusive.

"We note that in view of the circumstances in these cases the board of directors has voted to retain Mr. Anderson and Mr. Phillips in active service through December 31, 1946.

"The Board approves the payment of salaries to George J. G. Anderson and C. Clyde Phillips from July 1, 1946, to December 31, 1946, inclusive."

Approved unanimously.

Letter to the board of directors of "Safe Deposit and Title Guaranty Company", Kittanning, Pennsylvania, stating that, subject to conditions of membership numbered 1 to 6 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 Cleveland. The letter also contained the following special comment:

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"It appears that the bank may possess certain powers which are not being exercised and which are not necessarily required in the conduct of a banking and trust business, such as the power to act as surety in certain circumstances. Attention is invited to the fact that if the bank desires to exercise any powers not actually exercised at the time of admission to membership, it will be necessary under condition of membership numbered 1 to obtain the permission of the Board of Governors before exercising them. In this connection, the Board understands that there has been no change in the scope of the corporate powers exercised by the bank since the date of its application for membership."

Approved unanimously, together with a letter to Mr. Gidney, President of the Federal Reserve Bank of Cleveland, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of the 'Safe Deposit and Title Guaranty Company', Kittanning, Pennsylvania, for membership in the Federal Reserve System, subject to the conditions prescribed in the enclosed letter which you are requested to forward to the Board of Directors of the institution. Two copies of such letter are also enclosed, one of which is for your files and the other of which you are requested to forward to the Secretary of Banking for the Commonwealth of Pennsylvania, for his information.

"Since the amount of estimated losses shown in the report of examination for membership is relatively small, the usual condition of membership requiring elimination of losses has not been prescribed. It is assumed, however, that proper provision for losses will be made as a matter of sound banking practice.

"It is further 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 accounts listed on page 16 of the report of examination for membership and the reduction (to within statutory limits) of the excess balance in a nonmember bank. In connection with the withdrawal of savings accounts, the examiner's comments on page 16 are not clear as to whether the bank reserves the right to require 30 days' written notice before withdrawal in all cases, since

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"it is stated that \$100 may be withdrawn in any 30 days without notice. It is suggested that this matter be brought to the bank's attention with a request for modification of the passbook as soon as practicable, if the provision in the passbook does not conform with the requirements of the Board's regulation."

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

"In accordance with the recommendation contained in your letter of May 14, 1946, the Board of Governors interposes no objection, under an applicable condition of membership, to the proposed expenditure by the 'Monterey County Trust & Savings Bank', Salinas, California, of not more than \$90,000, instead of \$75,000 previously approved, to house and equip the branch at East Salinas."

Approved unanimously.

Letter prepared for the signature of Chairman Eccles, to Mr. Donald C. Blanke, President of the Association of Customers' Brokers, New York Stock Exchange, New York, New York, reading as follows:

"This is in reply to your letter of May 15, which proposes, on behalf of the Association of Customers' Brokers, that the Board of Governors of the Federal Reserve System formulate and announce, 'at the earliest possible moment', a program and policy for restoring margin accommodations for the purchase and sale of securities. In support of this proposal, you express the opinion that if such a pronouncement were to be made at a time when the securities markets are declining the effect on investor psychology would be likely to be detrimental rather than beneficial.

"Both this proposal and the reason given for it, so far as they concern the public interest, involve some important misconceptions in the opinion of the Board. So long as the investing public has far more cash or its equivalent than ever before in history there is no economic reason why the stock market should be using any credit, whether the market be advancing or declining. The prospect of an abrupt decline in stock prices, such as your letter seems to contemplate, is progressively

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"reduced as stocks pass from margin traders into the hands of outright owners.

"It is most likely that in present circumstances any sharp and prolonged decline in the market would reflect such fundamental factors as declining production, employment, and earnings. The margin buying that might be induced by a lowering of margin requirements, whether or not proclaimed in advance, could not be expected to have any sustained influence. To issue at this time, or in the foreseeable future, a pronouncement of program which would imply the contrary would seem to us to be misleading to the public.

"In our view the preservation of economic stability in this country depends fundamentally on the use of appropriate fiscal and monetary measures. To stabilize the national economy, at a high level of production and employment, is the way to stabilize the stock market.

"We appreciate the spirit in which your letter was written as well as the opportunity it has afforded to outline the reasons why the Board does not agree with your proposals."

Approved unanimously.

Memorandum dated May 24, 1946, from Mr. Hooff, Assistant Counsel, recommending that there be published in the June issue of the Federal Reserve Bulletin statements in the form attached to the memorandum with respect to the following subjects:

Regulation U - Partial transfers

Consumer Credit

Veterans Insured Loans Excepted

Loans to Veterans under New Jersey Law

Foreign Funds Control

Treasury Department Releases

Approved unanimously.

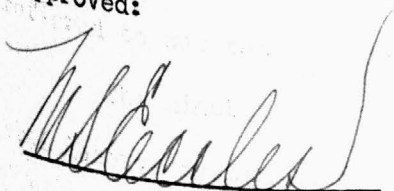
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Thereupon the meeting adjourned.


Secretary.

Approved:


Chairman.