A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, August 14, 1946, at 10:30 a.m.

PRESENT: Mr. Eccles, Chairman
        Mr. Szmyczak
        Mr. Draper
        Mr. Evans
        Mr. Carpenter, Secretary
        Mr. Morrill, Special Adviser
        Mr. Thurston, Assistant to the Chairman

Mr. Vardaman was absent for the reasons stated in the minutes of the Board of Governors of the Federal Reserve System for August 6, 1946.

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 August 13, 1946, were approved unanimously.

Memorandum dated August 12, 1946, from Mr. Carpenter, recommending that Mrs. Marion H. Derr be appointed as a File Clerk in the Secretary's Office on a temporary basis for a period of not to exceed six months, with basic annual salary at the rate of $2,243.52, effective as of the date upon which she enters upon the performance of her duties after having passed the usual physical examination, and with the understanding that if her services prove satisfactory, a recommendation will be made that her appointment be made permanent. The memorandum also stated that Mrs. Derr was a member of the Civil Service Retire-
Memorandum dated August 7, 1946, from Mr. Thomas, Director of the Division of Research and Statistics, recommending, for the reasons stated therein, that Mr. Paul Hermberg, an Economist in that Division, be granted a leave of absence without pay for a period of not to exceed one year in order that he may accompany Governor Szymczak to Berlin in connection with his assignment as Chief of the Trade and Commerce Branch, Economics Division, Office of Military Government, Germany. The memorandum also stated that Mr. Hermberg was a member of the Civil Service Retirement System and no question as to contributions to the Retirement System during the period of leave of absence without pay was involved.

Approved unanimously.

Memorandum dated August 13, 1946, from Mr. Bethea, Director of the Division of Administrative Services, recommending, for the reasons stated therein, that the appropriate account classification in the budget of the Division of Administrative Services be increased $8,000 to absorb the increased loss on cafeteria operations during the current year.

Approved unanimously.

Memorandum dated August 9, 1946, from Messrs. Thomas and Young, Director and Assistant Director of the Division of Research and Statistic-
ticles, which had been circulated among the members of the Board and which read as follows:

"It is recommended that the Board authorize at this time negotiations for conducting a second nation-wide survey of liquid and non-liquid asset holdings of individuals and families in January and February 1947. The survey information might be compiled for the Board by an appropriate Government agency, or by a private non-profit research organization of recognized professional competence. The non-profit research agency that might be selected to compile the data is the recently organized Survey Research Center of the University of Michigan. This agency is being directed and staffed by personnel formerly associated with the Division of Program Surveys of the Bureau of Agricultural Economics which prepared the Board's first surveys in this field. A memorandum assessing the results of the first survey and the general value of this type of research was submitted to the Board on August 1."

"Cost of the Proposed Survey"

The 1946 survey obtained information on liquid assets primarily; the proposed survey would collect in addition some significant information on non-liquid assets. The cost of this more comprehensive survey is estimated at $109,600, exclusive of research services of the Board's staff for general planning and analytical work. This sum includes some provision for further analysis of the past survey, and also for the servicing of inquiries concerning its findings. Exhibit A presents a detailed budget estimate for the proposed survey.

"Value of the Survey"

The Board took a pioneering step in providing for the first national survey of liquid assets. The wisdom of its action is fully confirmed by the significance of the information obtained for policy making. The findings clearly show that spendings by some people of liquid asset holdings, together with reductions in savings and increased borrowings, are currently exerting strong inflationary pressures. Spendings of such assets are for the purchase of durable goods, housing and current consumption, and for investment in real estate, securities of changing value, and private business. The wisdom of the Board's initial action is also confirmed.
by the importance attached to the survey results in the financial and economic press, in current periodical literature, and by professional economists. A number of observers have expressed gratification that the survey was sponsored by the Board and conducted in accordance with its standards of accuracy and objectivity.

"Review of the Survey Proposed by the System's Research Advisory Committee and the Subcommittee of the Presidents' Conference Committee on Research

The results and values of the first national survey of liquid assets and the proposal for a second survey were reviewed and discussed by the System's Research Advisory Committee and the Subcommittee of the Presidents' Conference Committee on Research, at their joint meeting in Washington on July 16-17. While no formal recommendation was requested of, or made by, this group as to a second national survey of liquid assets, considerable interest was expressed in the results of the first survey and there was recognition of the value of the survey to the System, to member banks, and to the general public. The favorable public and professional reception of the findings of the first survey was commented upon especially.

"Cost of the First National Survey

The expenditure of $60,000 was approved by the Board for the support of the first national survey and $15,000 for the support of two regional pilot surveys, or a total of $75,000. In addition, the Division of Program Surveys of the Bureau of Agricultural Economics allocated the sum of $32,275 from its own budget for the support of the pilot tests and the national survey. The total sum available to date for the survey program has therefore amounted to $107,275. This sum of money has now been exhausted. Major analytical work projected for the survey has been completed but no funds are available for financing supplementary analyses of survey materials. If no further provision is made for the survey program plans, further analyses of survey results by the Department of Agriculture staff must be dropped. Additional analyses will be limited to such as we can make with our own small staff. Also, it will be necessary to discontinue servicing of inquiries relative to the survey findings. A statement of expenditures for the conduct of the pilot studies and the nation-wide survey is attached as Exhibit B.
Unfavorable to the Conduct of a Second Survey

The following considerations might be considered unfavorable to the underwriting of another national survey:

1. The survey method in this area is still experimental.
2. Analytical techniques for interpreting survey results are not fully developed, so that there is some risk of incorrect or misleading inferences.
3. The public is not widely educated as to the meaning of data provided by such surveys and may misinterpret the results, however carefully presented.
4. The surveys are costly to conduct.

Approved unanimously, with the understanding that the agency selected to make the survey would be subject to approval by Mr. Evans and that the appropriate item in the budget of the Division of Research and Statistics would be increased by the amount of the expenditures made in 1946 in connection with the survey.

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

"The Board of Governors approves payment of salaries to the following officers of the Federal Reserve Bank of New York for the period August 8, 1946, through March 31, 1947, at the rates indicated, which are the rates fixed by the Executive Committee of the Board of Directors, as reported in your letter of August 9, 1946:

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Annual Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peter P. Lang</td>
<td>Manager, Foreign Department</td>
<td>$7,500</td>
</tr>
<tr>
<td>Walter H. Rozell, Jr.</td>
<td>Acting Manager, Foreign Department</td>
<td>6,900</td>
</tr>
</tbody>
</table>

Approved unanimously.
Letter to Mr. Rounds, First Vice President of the Federal Reserve Bank of New York, reading as follows:

"This is in reply to your letter of August 8, 1946, advising that the Secretary of the Treasury has requested that Mr. Andrew N. Overby, Assistant Vice President, be loaned to him to act as his assistant in matters pertaining to the Monetary Fund, International Bank, etc., and that accordingly the Executive Committee of the Board of Directors has approved of granting Mr. Overby leave of absence without pay for a period of six months.

"In the circumstances, the Board of Governors interposes no objection to the arrangement with respect to Mr. Overby as described in your letter."

Approved unanimously.

Letter to Mr. Rainey, Director of Personnel, Federal Reserve Bank of Atlanta, reading as follows:

"In accordance with the request contained in your letter of August 9, 1946, the Board of Governors approves the payment of salaries to the following employees at the rates indicated, which are more than 15 per cent in excess of the maximum annual salaries established under the personnel classification plan for the respective positions:

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Annual Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marcus Covington</td>
<td>Chef</td>
<td>$1,500</td>
</tr>
<tr>
<td>Gussie Mae Garnett</td>
<td>Elevator Operator</td>
<td>1,080</td>
</tr>
<tr>
<td>Mamie Jackson</td>
<td>Elevator Operator</td>
<td>1,080</td>
</tr>
<tr>
<td>Margaret Jackson</td>
<td>Elevator Operator</td>
<td>1,080</td>
</tr>
</tbody>
</table>

Approved unanimously.

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

"In accordance with the request contained in your letter of August 6, 1946, the Board approves the appointment of Lloyd Sheldon Harris as an assistant examiner for the Federal Reserve Bank of Chicago. Please advise us of the date upon which the appointment becomes effective."

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

"Plans for a conference of representatives of the bank examination departments of the Federal Reserve Banks have been under informal discussion between the Board's Division of Examinations and the officers in charge of examinations at the several Reserve Banks.

"The most satisfactory dates for the conference appear to be September 11, 12 and 13. Accordingly, the conference will be held in the Board's offices in Washington on those dates. It is hoped that the officer in charge of the bank examination department and the Chief Examiner at each Federal Reserve Bank will attend the conference.

"Suggestions as to the agenda have been received from most of the Reserve Banks and a copy of the agenda will be forwarded to you when it is completed."

Approved unanimously.

Letter to Mr. E. J. Lind, President of the Association of Investment House Cashiers, 618 South Spring Street, Los Angeles, California, reading as follows:

"This refers to your letter of August 7, 1946, addressed to Mr. Carl E. Parry, Director of the Board's Division of Security Loans. You ask about the status of 'when, as, and if issued contracts' under Regulation T.

"The regulation uses the term 'unissued securities' to describe what are sometimes referred to as 'when, as, and if issued contracts'. Therefore, the reference to unissued securities in sections 3(d)(4) and 3(h) of the regulation apply to such contracts.

"Amendment No. 5 to the regulation, effective January 21, 1946, amended section 3(a) to provide in effect that, so long as the present 100% margin requirements are in force, purchases by a customer other than to reduce or close out short positions cannot be effected in the general account (the usual margin account), and they are permitted only in an appropriate special account.

"It is necessary, therefore, to consider the requirements of the special cash account which are stated in section 4(c)."
"If a customer is to purchase a security in the special cash account, he must have sufficient funds already in the account or the broker must accept in good faith the customer's agreement that the customer 'will promptly make full cash payment for the security and that the customer does not contemplate selling the security prior to making such payment'. If the circumstances are such that the broker cannot accept in good faith the specified agreement of the customer, the purchase can not be made in the cash account unless sufficient funds are already held in the account.

"A copy of Regulation T with amendments is enclosed for your convenient reference. Your stamped airmail envelope is returned herewith."

Approved unanimously.

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

"The American Banker for August 8, 1946, has on the bottom of page 1, an account of a 'Charge-a-Check' service now being advertised by the United National Bank of St. Louis. The account indicates that the service may be similar to a service which was the subject of some correspondence between the Board and the Federal Reserve Bank of Chicago, the question being whether or not the plan complied with the requirements of Regulation W.

"For your information, copies of the relevant letters are enclosed and it is suggested that you have inquiries made in order to ascertain whether or not the plan of the United National Bank complies with the regulation."

Approved unanimously.

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

"This refers to your letter of August 5, 1946, quoting an interpretation issued by a San Francisco bank to its branches in connection with item 42 which was added by amendment #20 to the list of articles in section 13(a) of Regulation W. The interpretation paraphrases the wording of item 42 and then adds the following sentence: 'If, however, such listed articles are separately priced, the combination sale may be financed
on one contract for as long as 36 months provided the obligation contains no more than two-thirds of the cost of the listed articles and the total instalments within the first 12 months are sufficient to pay such two-thirds plus interest.'

"This statement is not correct. The combination unit itself is a listed article and therefore must be treated as such for the purpose of the regulation. It is not regarded as two separate articles to which, for example, section 12(b) might be applicable. In the circumstances it is not necessary to discuss the last part of the sentence quoted above, although it is apparent there is some confusion in it also."

Approved unanimously.

Thereupon the meeting adjourned.

[Signature]

Secretary.

Approved:

[Signature]

Chairman.