

8/21/46 A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, August 21, 1946, at 10:30 a. m.

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

Mr. Carpenter, Secretary
Mr. Morrill, Special Adviser
Mr. Thurston, Assistant to the
Chairman

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 August 20, 1946, were approved unanimously.

Memorandum dated August 19, 1946, from Mr. Leonard, Director of the Division of Examinations, recommending that Miss Mary M. Vicars be appointed as a stenographer in that Division on a temporary indefinite basis at a salary at the rate of \$2,394 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 also stated that it is contemplated that Miss Vicars would become a member of the Federal Reserve retirement system.

Approved unanimously.

Memorandum dated August 21, 1946, from Mr. Bethea, Director of the Division of Administrative Services, submitting the resignation

8/21/46

-2-

of Mr. William A. Kline, Sr., Printing Clerk in that Division, and recommending that the resignation be accepted effective as of the close of business on September 3, 1946, and that proper lump sum payment be made to him for any unused annual leave remaining to his credit at that time.

The resignation was
accepted as recommended.

Letter to Mr. Creighton, Chairman of the Federal Reserve
Bank of Boston, reading as follows:

"In accordance with the request contained in your letter of August 12, 1946, the Board of Governors approves effective August 1, 1946, the payment of salary to Mr. William D. McRae, Chief Examiner, at the rate of \$8,500 per annum, which is \$1,000 in excess of the maximum annual salary established for this position under the personnel classification plan.

"It is believed, however, that no change should be made in your classification plan with respect to the position of Chief Examiner at this time."

Approved unanimously.

Letter to Mr. Richard K. Kaufmann, Richard K. Kaufmann, Alsberg
& Co., 120 Broadway, New York 5, New York, reading as follows:

"This is in reply to your letter of July 30 to Chairman Eccles. You express the view that a reduction in margin requirements announced after a deflationary cycle had started would further weaken the market. 'To forestall such a situation' you ask that the Board consider adoption now of an automatic sliding scale of security margin requirements, to apply at various levels of stock prices.

"This argument, so far as it concerns the public interest, involves some important misconceptions in the opinion of the Board. We do not believe that the margin buying that might be induced by a lowering of margin requirements, whether or not announced in advance, could be

8/21/46

-3-

"expected to have any sustained supporting influence on security prices in the event of a 'deflationary cycle.' 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. To issue at this time, or in the foreseeable future, a pronouncement of program which would imply that margin buying would support the market under such conditions would seem to us to be misleading the public.

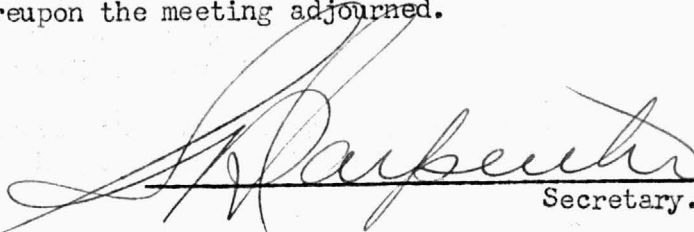
"The view that margin trading contributes to market stability is not correct, in our opinion, as our studies have shown that margin traders do more buying when the market is rising and more selling when the market is falling. Thus, the prospect of an abrupt decline in stock prices, such as your letter seems to contemplate, is progressively reduced as stocks pass from margin traders into the hands of outright owners.

"We recognize that the present 100 per cent margin requirements alone cannot prevent inflation, but we do believe that they are a necessary though minor part of the Government's present anti-inflation program. As you were in Service at the time, you may be interested in the enclosed copy of the statement made by Chairman Eccles on the occasion of raising the requirements last January.

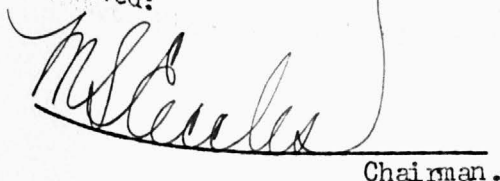
"Although we cannot agree with your proposal, for the reasons stated, we appreciate the spirit in which you write and the opportunity your letter has given us to outline our views on this subject.

Approved unanimously.

Thereupon the meeting adjourned.


Secretary.

Approved:


Chairman.