

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, August 23, 1946, at 10:30 a.m.

PRESENT: Mr. Draper, Chairman pro tem
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:

Telegram to Mr. Rounds, First Vice President of the Federal Reserve Bank of New York, stating that the Board approves for the bank, effective August 24, 1946, a minimum buying rate of one per cent on bankers' acceptances and the establishment by the Bank, without change, of the rates of discount and purchase in the Bank's existing schedule. The telegram also noted that the Bank's currently effective buying rate on bankers' acceptances has been raised to one per cent for all maturities.

Approved unanimously.

Telegram to Mr. Ziemer, Vice President of the Federal Reserve Bank of Minneapolis, stating that the Board approves for the Bank, effective August 24, 1946, a minimum buying rate of one per cent for all maturities of bankers' acceptances, and the establishment by the Bank, without change, of rates of discount and purchase in its existing schedule.

Approved unanimously.

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Telegrams to Mr. Williams, President of the Federal Reserve Bank of Philadelphia, Mr. Blair, Secretary of the Federal Reserve Bank of Cleveland, Mr. Leach, President of the Federal Reserve Bank of Richmond, Mr. Dillard, Vice President of the Federal Reserve Bank of Chicago, Mr. Caldwell, Chairman of the Federal Reserve Bank of Kansas City, and Mr. Mangels, Vice President of the Federal Reserve Bank of San Francisco, stating that the Board of Governors of the Federal Reserve System approves the establishment without change by the Federal Reserve Bank of San Francisco on August 20, and by the Federal Reserve Banks of Philadelphia, Cleveland, Richmond, Chicago and Kansas City on August 22, 1946, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Memorandum dated August 23, 1946, from Mr. Carpenter, recommending that the salary of Mr. John C. Brennan, General Assistant in the Office of the Secretary, be increased from \$3,773.40 to \$3,898.80 per annum, effective August 25, 1946.

Approved unanimously.

Memorandum dated August 25, 1946, from Mr. Bethea, Director of the Division of Administrative Services, recommending that Mr. James Henry McNally be appointed as a Clerk-Stenographer in that Division, on a temporary indefinite basis, with salary at the rate of \$2,394 per annum, effective as of the date upon which he enters upon the performance of his duties after having passed the usual physical examination.

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The memorandum also stated that, since he is a member of the Civil Service Retirement and Disability Fund, it is contemplated that Mr. McNally will continue in that retirement system.

Approved unanimously.

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

"The Board of Governors approves the changes in the personnel classification plan of the Federal Reserve Bank of Atlanta and the Birmingham, Jacksonville, and Nashville Branches as submitted in your letter of August 9, 1946, with the exception of the title for the position of Editor in the Research Department. The Board approves the title of Research Assistant for this position since it appears to be more in conformity with the views and recommendations contained in the report of the Presidents' special Committee on Job Classification in the Research Departments of the Reserve Banks."

Approved unanimously.

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

"The Board of Governors approves the changes in the personnel classification plan of the Federal Reserve Bank of San Francisco and the Los Angeles Branch, as submitted with your letter of August 1, 1946."

Approved unanimously.

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

"In accordance with the recommendation contained in your telegram of August 21, 1946, the Board of Governors extends to October 10, 1946, the time within which the American Bank and Trust Company, Bessemer, Alabama, may accomplish membership.

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"In this connection there is enclosed for your files a copy of the letter dated August 16, 1946, forwarded direct to the Board by the attorney for the applicant bank."

Approved unanimously.

Letter to Mr. Hult, Vice President of the Federal Reserve Bank of Boston, reading as follows:

"This will acknowledge your letter of August 16, 1946, enclosing a copy of a letter from the Massachusetts Association of Small Loan Companies asking for a ninety-day extension of the effective date of Amendment No. 21 to Regulation W.

"The same request has been made by the Beneficial Management Corporation operating the Personal Finance Company chain, and the Board has replied to the effect that it does not consider the circumstances to justify postponement. Inasmuch as the effect of the regulation is to put most loans on a 15-month basis, it would appear that the necessary change in office procedure could be carried out quite rapidly."

Approved unanimously.

Letter to Mr. W. H. Owen, President of the Iowa Guarantee, Inc., 500 Shops Building, Des Moines, 8, Iowa, reading as follows:

"This is with reference to your letter of July 30, 1946, stating your opposition to the continuance of Regulation W.

"Your first point relates to the effectiveness of the regulation. We realize that there is some evasion of the regulation but we have reason to believe from our investigations that the number of credit grantors who are not observing the requirements is relatively small. You will note that a Registrant may not rely upon any statement by the borrower which the grantor knows or has reason to know is untrue, and it is our experience that in most cases genuine efforts are being made to comply with the regulation. The Board has arranged a systematic program of investigations of credit grantors and whenever a willful violator of the regulation is found, either as a result of investigation or reports received from other sources, the necessary steps are taken to bring about a correction.

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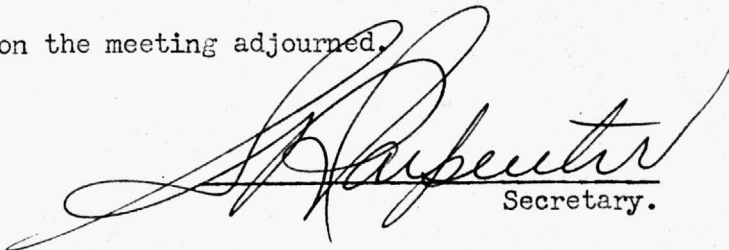
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"Your second question relates to the claim that the regulation discriminates against people of low income. The individuals who suffer most from inflation and deflation are those in the lower income groups. It has been demonstrated that wide fluctuations in the volume of consumer credit contribute materially to booms and depressions and if, by a reasonable program of control, such fluctuations can be reduced a real service will be rendered. Furthermore, as long as consumers' goods continue in short supply the public should be discouraged from using consumer credit for the purchase of such goods and thereby increasing pressure on prices and reducing the buying power of available income.

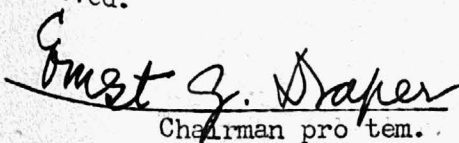
"In these uncertain times, it would be a distinct disservice to veterans and others to encourage them to obligate themselves for high payments over a long period of time. As for the cases in which Regulation W actually prevents people from obtaining something they otherwise could get and eventually pay for, this is a small price to pay if the program of the Government for combatting inflation, of which the regulation is a part, is successful."

Approved unanimously.

Thereupon the meeting adjourned.


Secretary.

Approved:


Chairman pro tem.