

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, October 21, 1946.

PRESENT: Mr. Eccles, Chairman  
Mr. Ransom, Vice Chairman  
Mr. Draper  
Mr. Evans

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

Mr. Vardaman's office reported that he was absent from the city on official business attending the meeting of the Morris Plan Bankers Association at Virginia Beach, Virginia.

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on October 18, 1946, were approved unanimously.

Memorandum dated October 18, 1946, from Mr. Thomas, Director of the Division of Research and Statistics, recommending that Miss Phyllis Bramlet, Secretary to Mr. D. M. Kennedy, be transferred from the Office of the Board Members to the Division of Research and Statistics as a clerk-stenographer in that Division, with no change in her present salary at the rate of \$3,021 per annum, effective October 20, 1946.

Approved unanimously.

Memorandum dated October 11, 1946, from Mr. Thomas, Director of the Division of Research and Statistics, recommending the appointment of Miss Dorothy I. South as an economist in that Division, on a temporary indefinite basis, with basic salary at the rate of \$3,773.40

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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 examination. The memorandum also stated that Miss South was a member of the Civil Service Retirement System and would remain in that system.

Approved unanimously.

Memorandum dated October 10, 1946, from Mr. Thomas, Director of the Division of Research and Statistics, recommending the appointment of Miss A. Regina Hurley as a clerk-stenographer in that Division, on a temporary indefinite basis, with basic 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 she was a member of the Civil Service Retirement System and would remain a member of that system.

Approved unanimously.

Memorandum dated October 18, 1946, from Mr. Thomas, Director of the Division of Research and Statistics, recommending that the following increases in basic salaries of employees in that Division be approved, effective November 3, 1946:

Name	Designation	Salary Increase	
		From	To
Lillian M. Blake	Clerk-Stenographer	\$2,394.00	\$2,544.48
Louise Richards	Clerk-Typist	2,394.00	2,544.48
Mary Murphy	Clerk-Typist	2,243.52	2,394.00

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Approved unanimously.

Telegram to Mr. Grady, Chairman of the Federal Reserve Bank of San Francisco, reading as follows:

"Your letter 17th. Board approves appointment by your Board of Directors of Mr. C. E. Earhart as President of Federal Reserve Bank of San Francisco effective October 17, 1946, for unexpired portion of term beginning March 1, 1946.

"Board also approves payment of salary to Mr. Earhart at the rate of \$25,000 for the period October 17, 1946, through April 30, 1947, the rate fixed by your directors as reported in your letter."

Approved unanimously.

Letter to Mr. Russell J. Darling, Executive Director, Michigan Association of Small Loan Companies, 1912 Olds Tower Building, Lansing 8, Michigan, reading as follows:

"We read with much interest the thoughtful analysis in your letter of August 23 of the viewpoints of those engaged in the small loan business in Michigan as developed at the meeting of your board of directors on August 20, 1946, in regard to Regulation W. We appreciate particularly your courtesy in discouraging the political approach to this problem, since it is in the field of economic considerations primarily. We cannot help but feel, however, that the discussion indicates some misunderstanding of the purpose and terms of the regulation and that the points of view as outlined in your letter really come out to the suggestion that the regulation should be done away with entirely.

"You may recall that the regulation was originally put into effect pursuant to an Executive Order which called for such a regulation in order to assist in the Government's program for fighting inflation and the rising cost of living. This was a purpose that was in the interest of the small income families more than any others. It seems to us that they would not believe the elimination of the regulation to be in their interest

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"if, as seems perfectly clear, this would in no way increase the supply of goods but, on the other hand, would add to the existing overwhelming demand and consequently exert a further upward pressure upon prices. In these circumstances, they would realize that they were not being served if it were made possible for those who would like to be relieved of this regulation to load them down with such goods as are available at higher prices and with increased debt under the lure of apparently easier credit terms. The small income families are the great majority of the people, as you point out, and the elimination of the regulation would be a further step in the direction of raising their cost of living, increasing their indebtedness, and lessening their means of enjoying the wider opportunities which we hope will come from greater production in the near future.

"As a matter of fact, although the regulation does control the terms of credit, it does not prevent the extension of credit. It does, in the case of purchases, require a down payment and, in cases subject to the regulation, there is a specified period of time within which the credit is to be extinguished. It does, therefore, leave the door open for what should in the present circumstances be reasonable extensions of credit.

"As you recognize, the various considerations that you advanced in your letter have constantly received the Board's consideration, and it is watching the developments from day to day and from month to month. It is studying the regulation with a view to its simplification and its adaptation to its fundamental purposes in the light of postwar conditions. We believe, from many reports that we have received, that the regulation and the manner in which it has been administered have been regarded with considerable favor, even though, as you point out, there are many who disagree with it. We hope, therefore, that all those affected will appreciate that it is the purpose of the Board to serve only the best interests of all concerned under the inflationary conditions that now prevail."

Approved unanimously.

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

"Reference is made to your letter of September 27, 1946, and enclosures, concerning various proposals for providing additional space at your head office. The Board has considered this matter in the light of the information in your letter and enclosures and will interpose no objection to the employment of an architect to prepare preliminary plans for an additional four stories to the building.

"Before any commitment is entered into for completion of detailed plans and specifications, the preliminary plans should be submitted to the Board for consideration. Please advise the Board of the details of the agreement made with the architect. It is assumed that any such agreement will provide that the Bank is not obligated to retain the architect for any work beyond the preparation of such preliminary plans, but that if he is retained, the payment for such work will be taken into account in the final fee."

Approved unanimously.

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

"This refers to your letter of September 25, 1946, in which authority is requested to employ an architect immediately to draw plans for expansion of the Detroit Branch quarters.

"The Board will interpose no objection to the employment of an architect to prepare preliminary plans for an addition to the Detroit Branch building. No commitment, however, should be entered into for preparation of detailed plans and specifications until legislation is obtained eliminating or modifying the present limitation on the cost of branch buildings and the preliminary plans have been submitted to the Board for consideration. Please advise the Board as to the fee to be paid to the architect for the preparation of the preliminary plans. It is assumed that any agreement made with the architect will provide that the Bank is not obligated to retain

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"him for any work beyond the preparation of such preliminary plans, but that if he is retained, the payment for such work will be taken into account in the final fee."

Approved unanimously.

Letter to the Comptroller of the Currency, Treasury Department, Washington, D. C., reading as follows:

"It is respectfully requested that you place an order with the Bureau of Engraving and Printing, supplementing the order of June 13, 1946, for printing of \$12,000,000 of Federal Reserve notes of the 1934 Series for the Federal Reserve Bank of St. Louis in the \$5 denomination."

Approved unanimously.

Merwin Sherman  
Assistant Secretary.

Approved:  
W. S. [Signature]  
Chairman.