

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, November 7, 1946.

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

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

As stated in the minutes of October 30, 1946, Mr. Vardaman was absent on official business.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on November 6, 1946, were approved unanimously.

Minutes of meeting of the Board of Governors of the Federal Reserve System with the executive committee of the Federal Advisory Council held on November 6, 1946, were approved unanimously.

Memorandum dated November 5, 1946, from Mr. Leonard, Director of the Division of Examinations, recommending the appointment of Miss Margaret E. Jenkins as a 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 Miss Jenkins was a member of the Civil Service Retirement System and would remain in that system.

Approved unanimously.

Memorandum dated November 5, 1946, from Mr. Bethea, Director of the Division of Administrative Services, recommending the appointment of Donald A. Hurst as a clerk in that Division with basic salary at the rate of \$2,544.48 per annum, effective as of the date upon which

11/7/46

-2-

he enters upon the performance of his duties after having passed the usual physical examination. The memorandum also stated that it was contemplated that Mr. Hurst would become a member of the Federal Reserve retirement system.

Approved unanimously.

Memorandum dated November 4, 1946, from Mr. Bethea, Director of the Division of Administrative Services, recommending that an increase in the basic salary of Thomas G. Cook, a guard in that Division, from \$2,020.00 to \$2,318.76 per annum be approved effective November 17, 1946.

Approved unanimously.

Memorandum dated November 4, 1946, from Mr. Nelson, Director of the Division of Personnel Administration, recommending the retention in active service of Seaton Dyson, a messenger in the Division of Administrative Services, at his present salary of \$2,166.00 per annum, for a period of seven months beginning January 1, 1947. The memorandum also stated that Dyson will be 70 years old on July 4, 1947, and that under the Rules and Regulations of the Retirement System, he must be retired not later than August 1, 1947.

Approved unanimously.

Memorandum dated November 1, 1946, from the Personnel Committee, reading as follows:

"At a meeting of the Board on October 11, 1946 there was a discussion of the practice of collecting contributions among employees for going-away presents, floral

11/7/46

-3-

"tributes, etc., and the Personnel Committee was instructed to give consideration to the matter and make a recommendation as to the action to be taken.

"Mr. Nelson talked with representatives of the Employees' Committee regarding the collecting of contributions from employees and attempted to ascertain their reaction to prohibiting the practice without the prior approval of the Personnel Committee. The representatives of the Employees' Committee felt that such an order from the Board would be too restrictive, and they favored a statement to employees merely calling attention to the fact that they were under no obligation to make contributions for the above purposes.

"Accordingly, it is recommended that the following statement be handed to the heads of the divisions of the Board's staff with the request that they advise the members of their respective divisions informally of the contents of the statement:

'Questions have been raised regarding the collection from employees of the Board of funds for such purposes as gifts for employees who were being married or leaving the service of the Board or for flowers for the funeral of an employee or a member of his immediate family.

'The Board has considered these questions and does not wish to place any prohibition on the collection of funds for these purposes as long as they are kept within reasonable limits consistent with the fine spirit of friendship that exists among the employees. However, it wants to make it entirely clear that members of the staff are under no obligation or pressure whatsoever to make contributions of this kind and that they should not make any contributions which for any reason they might not wish to make.

'With respect to contributions for what may be termed outside purposes, the Board has requested that (with the exception of the annual campaigns of the Community Chest and the American Red Cross which will continue to be conducted with the support of the Board as in the past) no collection be undertaken in the Board's offices for such purposes without first obtaining through the Director of the Division of Personnel Administration the approval of the Personnel Committee.'

Approved unanimously.

11/7/46

-4-

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

"In accordance with the request contained in your letter of October 31, 1946, the Board approves the appointment of

Daniel J. Clifford  
Charles B. Fischer  
Walter E. Jones

as examiners for the Federal Reserve Bank of New York, the appointment of

Louis J. Conroy  
Charles J. Peter, Jr.  
Stuart H. Van Saun

as assistant examiners, and the designation of

John J. Stiles

as a special assistant examiner. Please advise us of the dates upon which the appointments of the examiners and the assistant examiners become effective."

Approved unanimously.

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

"Reference is made to your letter of November 1, 1946, advising of the increase in costs of the Blue Cross Plan for Hospital Care and the action taken by the Executive Committee approving the absorption of the increased costs by your Bank, which would result in the Bank absorbing 69.74% and the employees 30.26% of the total costs.

"As indicated in its letter of March 11, 1946, the Board approved the general program as recommended by the Presidents' Conference, which provided that each Federal Reserve Bank would assume two-thirds of the cost of providing hospital and surgical benefits for employees. At the time this matter was considered by the Board it was contemplated that the proportionate amount of cost to be absorbed would be uniform among the Banks. There is, of course, some variation in the cost of the benefits in the various localities, but a change in the costs in one locality would not appear to justify a change in the uniform policy with respect to the proportionate amount the Banks may absorb.

11/7/46

-5-

"Accordingly, the Board is unwilling to approve the absorption by the Federal Reserve Bank of Chicago of more than two-thirds of the cost of providing hospitalization and surgical benefits for its officers and employees."

Approved unanimously.

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

"This refers to your letter of September 27, 1946, regarding a question presented by the Canadian Bank of Commerce, Portland, Oregon, regarding Regulation U.

"That bank presents a case in which it made a loan to a customer on registered stocks for the purpose of paying off a real estate mortgage. If the purpose was in fact as stated, the original loan was of course exempt from the provisions of the regulation. The customer now wishes to know, in effect, whether the loan will continue to be exempt from the regulation if he sells the registered stocks securing the loan and uses the proceeds to purchase other registered stocks.

"Since each such case necessarily depends largely upon its own facts, it seems desirable to discuss the general principles that are involved. The Board agrees with your view that in deciding such cases it is necessary to look to the original purpose of the loan in question. So long as the loan remains outstanding, that purpose is controlling, i.e., changes in the collateral of the loan do not change its exempt character. It may well be, therefore, that under this principle the loan described in the instant case would continue to be exempt.

"In explanation of the principle, the Board wishes to state, again concurring in your own view, that transactions that give a superficial appearance of being exempt from the regulation may in fact be subject to it. For example, as you suggest, if a borrower purchases Government securities with the proceeds of a loan, but later sells such securities and replaces them with registered stocks, there is a strong probability that the ostensible original purpose of the loan was not the actual purpose and that the real purpose was to purchase or carry registered stocks.

11/7/46

-6-

"It should also be mentioned that even in the case of a loan that was originally exempt, the exempt status continues only during the actual life of that loan. If the loan is in fact paid off, a mere fictitious continuation could not cause the exemption to carry over to what is really a new loan. The question whether the old loan did actually continue would necessarily depend upon all the relevant facts of each case. Among such facts to be considered would be such things as how the parties had treated the transaction in connection with interest payments and other related matters."

Approved unanimously.

Letter to the Honorable Herbert J. McGlinchey, House of Representatives, Washington, D. C., reading as follows:

"This is in reply to your letter of October 15, concerning Regulation W, the Board's consumer credit regulation. The purpose of this regulation, as you know, is to assist in the Government's anti-inflation campaign which should in due course be of special value, so far as it may succeed, to the small wage earner to whom you refer.

"The present and prospective status of the regulation was discussed briefly by Chairman Eccles in a recent address delivered in Boston, of which a copy is enclosed. I would refer you especially to pages 8-10 of this address, which I believe will give you the information you have requested.

"I should like to add that although considerable opposition to the regulation has developed, as is quite natural, from small-loan companies and others engaged in the consumer credit business, the idea of continued regulation of consumer credit has met with considerable support, especially from small business.

"We appreciate this opportunity to comment on the questions you raise."

Approved unanimously.

Letter to Mr. Bowman, Manager of the Credit Department of the Federal Reserve Bank of New York, reading as follows:



11/7/46

-7-

"This refers to your letter of October 22, 1946, with which you enclosed copies of correspondence between your Bank and the Coin-O-Matic Equipment Corporation, 29 Broadway, New York City, regarding the status under Regulation W of coin operated washing machines.

"As we understand its operations, the corporation purchases washing machines which are 'coin metered' for rental installation. It is concerned with whether or not such machines are included in item 36 of section 13(a), since it wishes to finance their purchase outside the regulatory limits. It may be, as you imply in your letter to the corporation, that the unpaid balance arising out of the financing of such equipment would be in a principal amount of more than \$2,000 and thereby excepted from the regulation. Presumably such is not always the case, however, since the corporation bases its arguments for exclusion entirely on the 'producer good' use of its equipment, comparing it, for instance, with the use of a truck, or a taxicab.

"We agree with your opinion that the machines would be included in item 36. They would differ neither in design nor use from other washing machines, and in any event it would not be feasible as an administrative matter to make a distinction based upon the fact that the articles would be rented."

Approved unanimously.

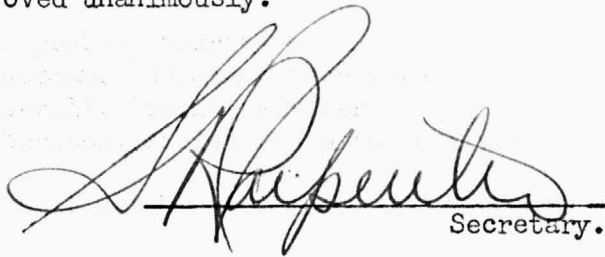
Letter to the Presidents of all the Federal Reserve Banks reading as follows:

"Referring to the discussion of expenses at the recent Conference of Presidents, the Board of Governors would like to have information on the practices of the Federal Reserve Banks in reimbursing officers and employees for traveling expenses. Accordingly, it will be appreciated if you will submit a statement at your early convenience, but not later than December 1, setting forth the basis and conditions under which senior officers, junior officers, and employees are reimbursed for expenses of traveling, whether by train, air, or automobile. Please include information as to what accommodations are allowed for train travel and the limits, if any, on reimbursement of expenses other than for transportation; an estimate, for each of the three

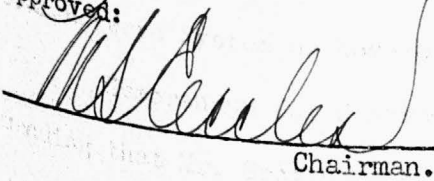
11/7/46

"classes mentioned above, of the amount of expense per day reimbursed other than for transportation; and a copy of the form of reimbursement voucher used by your Bank."

Approved unanimously.

  
Secretary.

Approved:

  
Chairman.