

Minutes of actions of the Board of Governors of the Federal Reserve System on Tuesday, November 19, 1946. The Board met in the Board Room at 10:40 a.m.

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  
Mr. Thomas, Director of the Division  
of Research and Statistics  
Mr. Vest, General Counsel  
Mr. Townsend, Assistant General Counsel

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

Mr. Ransom referred to a letter dated November 14, 1946, from Mr. Steelman, Director of the Office of War Mobilization and Recon- version, asking for a report by December 1, 1946, concerning statutory powers affecting the Board's operations which were dependent upon continuance of hostilities, the emergencies, or the war, showing which powers should be repealed or allowed to lapse and those for which lapse or repeal would not be satisfactory. The letter also asked that a second report be submitted by December 1 showing the character of bills and legislation which the Board anticipated it might wish to have considered by the Congress.

Mr. Vest stated that, under the emergency powers, the Board was concerned with (1) the authority of the Federal Reserve Banks to

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purchase up to \$5 billion of Government securities directly from the United States, which authority was added to Section 14 of the Federal Reserve Act by the Second War Powers Act and would expire on March 31, 1947, and (2) the exemption of war loan deposits from reserve requirements which will terminate six months after the cessation of the war as determined by the President or the Congress.

As to the second report asked for by Mr. Steelman, Mr. Vest suggested consideration of (1) an amendment of Sections 13 and 13b of the Federal Reserve Act relating to loans for industrial purposes, (2) holding company legislation, (3) legislation giving the Board permanent authority to regulate consumer credit, (4) elimination of the present limitation on the cost of Federal Reserve branch bank buildings, and (5) possible legislation concerning the holding of Government securities by member banks along the lines discussed in the annual report of the Board of Governors for 1945.

Chairman Eccles suggested that legislation on the matter last referred to by Mr. Vest need not be presented by the Board as the question whether legislation should be enacted was placed before Congress in the annual report and the decision on the question was one for Congress to make.

There was a discussion of the provision authorizing the purchase of Government securities by the Federal Reserve Banks directly from the Government, and Chairman Eccles said there would be no

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purpose in asking for this authority unless the Treasury wanted it, that he understood the Treasury would like to have the provision made permanent, and that before replying to Mr. Steelman, the Board should write to the Secretary of the Treasury, with a copy of the letter to Mr. Bartelt, Fiscal Assistant Secretary, saying it planned to recommend that Congress make this provision permanent and asking that the Treasury inform the Board as to whether it concurred in this position.

It was agreed unanimously that Counsel should prepare a letter to the Secretary of the Treasury in accordance with the foregoing suggestion.

The other matters mentioned by Mr. Vest for possible legislative action were discussed and it was unanimously agreed that Counsel should prepare a draft of reply to the letter from Mr. Steelman, which would state that the Board expected at the proper time to present to Congress proposals (1) to make permanent the authority for direct purchases of Government securities; (2) to terminate the exemption of war loan deposits from reserve requirements; (3) to eliminate the statutory limitation on the cost of Federal Reserve branch bank buildings; (4) to amend the provisions now contained in the Federal Reserve Act pertaining to loans for industrial purposes; and (5) to regulate bank holding companies. The letter would also state that the Board would be prepared to submit arguments for and against permanent authority to regulate consumer credit.

In a discussion of the legislation to continue the authority for direct purchases of securities from the Treasury, it was agreed that the most desirable procedure would be to introduce a bill which

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would make permanent the existing provision, rather than to request continuance of the applicable provision of the Second War Powers Act. It was also suggested that there should be combined into a single bill the authority to purchase Government securities direct from the Treasury, the repeal of the exemption from reserve requirements of war loan deposits, and the removal of the limitation on the cost of buildings of Federal Reserve branch banks. It was agreed that separate bills would be required for industrial loan legislation and for the regulation of bank holding companies, and that the procedure concerning the regulation of consumer credit should be to request the privilege of presenting arguments for and against making permanent such a measure of credit control.

In the discussion of the proposed bill relating to industrial loans, Chairman Eccles said it appeared the general objectives of the Board and the Presidents of the Reserve Banks were about the same, and that in a recent telephone conversation Mr. Sproul, Chairman of the Presidents' Conference, suggested that since the form of amendment proposed by the Board differed somewhat from the one proposed by the Presidents, the Board present both proposals as alternative forms the legislation might take.

This suggestion was considered and there was agreement that the Board should submit a definite legislative proposal, and that a bill should be prepared along the lines the Board previously had suggested, but taking account of the changes suggested by the Presi-

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dents. There was also agreement with Chairman Eccles' statement that the Board should request the elimination of Section 13(b), and that when consideration was being given by Congress to the bill proposed by the Federal Deposit Insurance Corporation for the retirement of the stock of the Corporation, the Board should propose that the payment for the stock of the Corporation held by the Reserve Banks be made to the Treasury.

A comparison of differences between the Board's bill and that proposed by the Presidents resulted in agreement on changes in the Board's bill, which would (1) limit maturities on guarantees to 10 years, (2) authorize loans only when there was "reasonable assurance of repayment", (3) limit to 90 per cent the amount of any loan that a Federal Reserve Bank could guarantee, (4) limit to the combined surplus of all Reserve Banks the aggregate amount of guarantees, and (5) limit to one-half the combined surplus of the Reserve Banks the aggregate amount of loans in excess of \$100,000 that could be guaranteed.

It was also agreed that it would not be possible to get a bill which authorized direct loans, that such a provision would raise the question of competition by the Federal Reserve Banks with commercial banks for loans, and that the support of bankers for a guarantee provision would be much more likely.

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At the conclusion of the discussion, it was agreed that Counsel would prepare drafts of bills in accordance with the agreements reached during the meeting, and a draft of letter to the Presidents of the Reserve Banks enclosing a copy of the proposed industrial loan bill and stating that it had been prepared after full consideration of all of the suggestions of the Presidents, and that some of the proposals of the Presidents, especially that the bill provide for direct loans, had not been adopted because in the judgment of the Board they would not receive favorable consideration by Congress.

Chairman Eccles reviewed briefly the discussion which he and Mr. Townsend had with the representatives of The Independent Bankers Association yesterday on the subject of holding company legislation, and said that the representatives had decided to support the Board's bill.

At Chairman Eccles' suggestion, it was agreed that the holding company bill should be placed on the docket for discussion at the meeting of the Board on November 26, 1946.

At this point Messrs. Thomas, Vest, and Townsend withdrew from the meeting and the action stated with respect to each of the matters hereinafter set forth was then taken by the Board:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on November 18, 1946, were approved unanimously.

Memorandum dated November 19, 1946, from Mr. Bethea, Director of the Division of Administrative Services, recommending that the

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resignation of Mrs. Corrie Holliday, a cafeteria helper in that Division, be accepted, in accordance with her request, as of the close of business November 20, 1946, with the understanding that a lump sum payment would be made for any annual leave remaining to her credit on that date.

Approved unanimously.

Letter to Mr. Williams, President of the Federal Reserve Bank of Philadelphia, reading as follows:

"Reference is made to your letter of November 7, 1946, advising that the Board of Directors had approved the granting of a general increase of 10 per cent on all salaries up to and including \$7,500, retroactive to November 1, 1946, and requesting the Board's approval to exceed maximum annual salaries under the personnel classification plan in order to effect the general increase.

"The Board of Governors authorizes the Federal Reserve Bank of Philadelphia, effective as of November 1, 1946, to exceed maximum annual salaries under its personnel classification plan by 30 per cent, in connection with the program of granting a general increase of 10 per cent on all salaries up to and including \$7,500.

"The Board of Governors also approves the payment of salaries, effective November 1, 1946, to the following two employees at the rates indicates:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
Adella Schoenly	Cashier, Cafeteria Department	\$1,887.60
E. Hammitt Peterson	Gen. Clerk-A, Transit Department	3,049.20

"This authorization supersedes the authorization to exceed maximum annual salaries contained in the Board's letters of November 16, 1945, and April 26, 1946, and is granted as a temporary measure for post war adjustments pending revision of your personnel classification plan.

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"The Board of Governors also approves the payment of salaries for the period November 1, 1946, through April 30, 1947, to the following officers at the rates indicated, in accordance with the action taken by the Board of Directors as indicated in your letter:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
R. R. Williams	Assistant Vice President and Assistant Secretary	\$8,250.00
James V. Vergari	Assistant Vice President and Assistant Secretary	7,700.00
Norman G. Dash	General Auditor	7,700.00
Wallace M. Catanach	Assistant Cashier	7,700.00"

Approved unanimously.

Letter to Mr. Laning, Vice President and Cashier of the Federal Reserve Bank of Cleveland, reading as follows:

"In view of the circumstances described in your letter of November 16, 1946, the Board of Governors approves the payment of salary to Mr. William J. Young while occupying the position of Noncash Collection Runner, Noncash Collection Department, based upon the maximum annual salary established for the position of Guard, the position which he formerly occupied."

Approved unanimously.

Letter to Mr. W. W. Waymack, Vice President of The Des Moines Register and Tribune, Des Moines 4, Iowa, reading as follows:

"I have brought to the attention of the Board of Governors your letter of November 4, 1946, in which you tender your resignation as a Director and Deputy Chairman of the Federal Reserve Bank of Chicago.

"Your comments with respect to the Federal Reserve Bank are very gratifying to the members of the Board and they are pleased that you have found your association an enjoyable one. The fine service that you have rendered to the Bank and to the System during the five years that you have been a Director has been most helpful, and the



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"Board is accepting your resignation with regret but with the realization that you have been called to a much more important job--perhaps the most important task that a man could have in the new era of atomic energy. Everyone here wishes you all possible success in your new assignment and hopes that your interest in the welfare of the System will continue even though you will no longer be officially connected with it.

"Your suggestions regarding a successor are very much appreciated and you can be sure that they will be given consideration."

Approved unanimously.

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

"Reference is made to your letter of November 1, 1946, submitting the request of The Marine Trust Company of Buffalo, Buffalo, New York, for approval of the establishment of a branch in Attica, New York, in connection with the proposed absorption through merger of The Bank of Attica, Attica, New York.

"The Board of Governors concurs in your opinion that the proposed transaction will not result in a change in the general character of the assets of The Marine Trust Company or broadening in the functions exercised by it within the meaning of condition of membership numbered 4 to which it is subject.

"In view of your recommendation, the Board approves the establishment and operation of a branch in Attica, New York, by The Marine Trust Company of Buffalo, Buffalo, New York, provided the proposed merger with The Bank of Attica is effected substantially in accordance with the agreement submitted and the prior approval of the appropriate State authorities is obtained; and with the understanding that Counsel for the Reserve Bank will review and satisfy himself as to the legality of all steps taken to effect the merger and establish the branch."

Approved unanimously.

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

"Reference is made to your letter of November 6, 1946, regarding the proposed plan of The Pennsylvania Company for Insurances on Lives and Granting Annuities, Philadelphia, Pennsylvania, to purchase the assets and assume the deposits of The Erie National Bank of Philadelphia.

"The Board of Governors concurs in your opinion that the proposed transaction will not result in a change in the general character of the assets of the Pennsylvania Company or broadening in the functions exercised by it within the meaning of condition of membership numbered 2 to which it is subject.

"It is understood that the Pennsylvania Company will purchase only such assets as a member bank may legally acquire and that the fixed assets and equipment acquired will be carried at book values approved by your Bank."

Approved unanimously.

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

"This refers to your letter of November 4, 1946, asking whether the Board would have any objection to your endeavoring at this time to make arrangements with architects to prepare plans for proposed branch bank buildings at Seattle and Portland. You state that the arrangements would be for preparation of plans on a cost-plus basis not to exceed a specified amount, with the proviso that, if the buildings are constructed, the amount paid will be applied to the architects' fees under an agreement similar to that which was entered into with the architect on a proposed addition to the Los Angeles building.

"If approved by your board of directors, the Board of Governors will interpose no objection to the employment of architects to prepare preliminary plans on the basis outlined in your letter for proposed buildings to house the Seattle and Portland branches of your Bank.

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"It is assumed that any agreement with the architects will also provide that the Bank is not obligated to retain them for any work beyond the preparation of preliminary plans. No commitment 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 until the preliminary plans have been reviewed by the Board."

Approved unanimously.


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

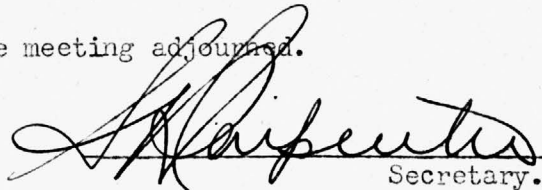
"For your information, in replying to inquiries from a Federal Reserve Bank concerning the preparation of preliminary plans for contemplated head office and branch building construction, as referred to in the Board's letter of September 14, 1945 (S-871; FRLS #3053), the Board recently stated that it would interpose no objection to the employment of architects to prepare such plans. It also stated that no commitment should be entered into for the preparation of detailed plans and specifications until the preliminary plans have been reviewed by the Board of Governors and, in the case of the branch building, until legislation is obtained eliminating or modifying the present limitation on the cost of such buildings. The Board requested that it be advised concerning the details of the agreements made with the architects and stated that it assumed that any such agreement would provide that the Bank is not obligated to retain the architect for any work beyond the preparation of the preliminary plans, but that, if he is retained, the payment for such work will be taken into account in the final fee."

Approved unanimously.

Thereupon the meeting adjourned.

Approved:

  
Chairman.

  
Secretary.