

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, January 14, 1947. The Board met in the Board Room at 10:40 a.m.

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

Mr. Carpenter, Secretary  
Mr. Sherman, Assistant Secretary  
Mr. Morrill, Special Adviser  
Mr. Thurston, Assistant to the Chairman  
Mr. Bethea, Director of the Division of Administrative Services  
Mr. Thomas, Director of the Division of Research and Statistics  
Mr. Vest, General Counsel

As stated in the minutes of December 26, 1946, Mr. Vardaman was absent on official business.

Mr. Draper stated that in accordance with the action taken at the meeting of the Board on December 19, 1946, he had studied proposals of the Personnel Committee (1) that responsibility for dispatching cars and receiving people coming into the garage be assigned to a Head Chauffeur, that the chauffeurs be separated from the guard force, and that the west door of the garage be opened for exit only, and (2) that a woman receptionist be substituted for the guard now stationed in the oval on the second floor. At his request, the Secretary read a memorandum from Mr. Draper to the Board dated January 8, 1947, recommending steps to implement the first proposal and stating that, for reasons set forth in the memorandum, he did not favor the second proposal suggested by the Personnel Committee. The memorandum contained the following comments:

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"I desire to call attention to the additional expense that will be incurred in the event either recommendation of the Personnel Committee is approved. The added outlay occasioned by the creation of a separate chauffeur force may be justified on the grounds that the Board will benefit through increased efficiency in the dispatching of cars, the utilization of the west door as an exit from the garage, and improved service in receiving visitors arriving by way of the garage. However, I see no compensating factors for the proportionately larger outlay which the employment of a woman receptionist would entail.

"I also wish to point out that approval of either proposal will involve a departure from the long established policy of integrating small units with other units performing overlapping or related functions. The recommended action, for example, will result in divided responsibility for the security of the building. The Guard Force will be responsible for the protection of all entrances to the building except those into the garage, the responsibility for which would rest with the Head Chauffeur. Due to the design of the Board's building, the oval is in some respects a more important post from the standpoint of security than either the Constitution Avenue or C Street entrance. The employment of a woman receptionist would result in further diffusion of responsibility for the protection of the building inasmuch as it would seem expedient to have her report to the supervisor of the Stenographic Section in order that replacements from that Section could be made when necessary."

In the discussion which ensued it was the view of the members present that it would be undesirable to make a change in the method of handling the Board's cars which would involve the employment of additional chauffeurs and an increase in personnel costs, especially at a time when Government agencies generally were being requested to reduce expenditures wherever possible.

Chairman Eccles suggested that instead of increasing the number of guards and chauffeurs, a study be made to see if it would be practicable to reduce the number now employed. It was understood

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that such a study would be undertaken.

With respect to the employment of a woman receptionist in place of a uniformed guard in the oval, it was felt a man was more suited to the functions of that post than a woman would be.

At the conclusion of the discussion, it was agreed unanimously that neither of the proposals of the Personnel Committee should be approved at this time.

Mr. Bethea withdrew and Messrs. Parry and Brown joined the meeting at this point.

Mr. Draper said that he had prepared a memorandum relating to a reduction in the margin requirements prescribed in the Board's Regulations T, Extension and Maintenance of Credit by Brokers, Dealers, and Members of National Securities Exchanges, and U, Loans by Banks for the Purpose of Purchasing or Carrying Stocks Registered on a National Securities Exchange. At his request, the Secretary read the memorandum which was dated January 13, 1947, and was as follows:

"The Board will recall that when the question of lowering the margin requirements was discussed in December there was an understanding that the matter should be reviewed again in about another month.

"It seems to me that the time has now come to do this and that in present circumstances an appropriate action would be to reduce the margin requirements prescribed by Regulations T and U to the 75 per cent level at which they stood between July 6, 1945, and January 21, 1946.

"The principal reason for this action, in my judgment, is that economic conditions are no longer such as to justify the virtual prohibition on stock market credit

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"which is imposed by the 100 per cent requirement. I do not believe that the inflationary danger has yet passed, but there does seem to be evidence to show that during recent months it has become much less acute.

"In particular, the sharp rise in commodity prices which followed the removal of price controls last summer has itself put limitations on consumer and business spending. Prices are no longer advancing all along the line, but are declining in some sectors, particularly in the agricultural sector. In the stock market itself, the outlook for corporate profits is being viewed conservatively, as stock prices have been fairly steady for about four months at about the same general level as when the margin requirements were first raised to 75 per cent. The volume of stock market credit has declined to about as low a level as at any time in the past 30 years.

"In these circumstances, I do not believe that a reduction of 25 per cent in the margin requirements will add materially to inflationary pressures, partly because a requirement of 75 per cent is still reasonably restrictive in its effect on stock market transactions. I would not expect the proposed change to cause a burst of speculative activity or to result in much increase in stock market credit. The economic forces which would work against such developments, and against a further advance in the general level of commodity prices, are much stronger at present, in my opinion, than they were when the 100 per cent requirement was imposed."

Chairman Eccles stated that he was not prepared to act upon the proposals for a change in margin requirements at this meeting, that he had been giving thought to the kind of statement that might be issued if and when margin requirements were reduced, and that he would like to consider the matter at the meeting on Friday, January 17, 1946, when a draft of such a statement would be available.

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There was a discussion of the reasons that might be given for a reduction in margin requirements and whether the economic situation was such as to justify action at this time.

It was agreed unanimously that a draft of a statement which the Board might issue to the press in connection with such action should be prepared and considered at a meeting on Friday, January 17, 1947.

It was also agreed (1) that in the meantime Chairman Eccles would advise the White House and the Treasury that the Board was considering the advisability of a reduction, and (2) that when the Board had considered the matter on January 17, the Securities and Exchange Commission would be advised of the action, if any, which the Board proposed to take.

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

Letter to Mr. Wysor, Federal Reserve Agent of the Federal Reserve Bank of Richmond, reading as follows:

"In accordance with the request contained in Mr. Walden's letter of January 11, 1947, the Board of Governors approves, effective February 1, 1947, the payment of salaries to the following members of the Federal Reserve Agent's staff at the rates indicated:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
	<u>Head Office</u>	
Robert L. Shepherd	Assistant Federal Reserve Agent	\$3,120
Beverley P. Higgason	Alternate Assistant Federal Reserve Agent	2,820

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T. Wesley Bagby "Charlotte Branch  
Federal Reserve Agent's  
Representative \$3,600"

Approved unanimously.

Letter to Mr. Walden, First Vice President of the Federal Reserve Bank of Richmond, reading as follows:

"In view of the circumstances described in your letter of January 11, 1947, the Board of Governors approves, effective February 1, 1947, the payment of salaries to the following employees at the rates indicated:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
	<u>Head Office</u>	
Iola Barbour	Cafeteria Maid	\$1,380
Sophie Neville	Hospital Maid	1,590
Robert W. Pickens	Assistant Chief Guard	2,700
Jesse R. Tucker	Information Clerk	3,060
	<u>Charlotte Branch</u>	
Mary G. Amrhein	Junior Clerk-A	2,520
John P. Parker	Manager, Fiscal Agency Dept.	4,500
Harry J. Otten	Supervisor, Fiscal Agency Dept.	3,000
Charles E. Morris	Supervisor, Fiscal Agency Dept.	3,000
Clarence H. Robinson	Junior Clerk-A	2,580
Charlie P. Lowe	Teletype Operator	2,280
Mrs. M. W. Mosbach	Telephone Operator	1,920
Vivian L. Woody	Stenographer-A	2,580
Bryson B. Belk	Junior Clerk-A	2,700
Charles L. Gable	Junior Clerk-A	2,580
Thomas R. Barrett	Shipping Teller, Money Dept.	2,580
Elizabeth S. Amrhein	Currency Counter, Money Dept.	2,280"

Approved unanimously.



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Telegram to Mr. Whittemore, President of the Federal Reserve Bank of Boston, reading as follows:

"Upon issuance of general voting permit to Shawmut Association authorized in Board's telegram of January 10, please advise Edward S. Stimpson, Cambridge, Massachusetts, that permit has been issued and advise him further as follows:

"Before authorizing the issuance of the permit, the Board gave very careful consideration to the views of Mr. Stimpson and the information furnished by him. However, upon the basis of all pertinent information before it, including information as to the financial condition of the applicant, the character of its management, and the probable effect of the granting of the permit upon the affairs of the subsidiary banks, the Board concluded that the granting of the permit would not be contrary to the public interest within the meaning of section 5144 of the Revised Statutes and that it should not prescribe conditions such as Mr. Stimpson recommended.

"Mr. Stimpson's objections to the granting of the permit related primarily to the purchase of stocks of additional suburban banks by the Association. It does not appear, however, that the management has exceeded its legal authority or has departed from the purposes for which the Association was organized. The Declaration of Trust creating the Association clearly authorizes investments in bank stocks; and the ownership and control of suburban banks in the vicinity of Boston has been an important function of the Association since its organization. Also, the Declaration of Trust expressly refers to the benefits which may be derived by The National Shawmut Bank of Boston as one of the purposes for the organization of the Association. The circumstances relating to the acquisition of control of additional banks by Shawmut Association do not appear to be such as to justify special treatment of this case and the imposition of a condition, not regularly prescribed, requiring the holding company to agree not to invest in additional bank stocks.

"The statute under which the Board grants voting permits does not contemplate that approval by a majority of the shareholders of the applicant shall be required as a condition to the granting of a permit; and the Board has not prescribed requirements of this nature in other cases.

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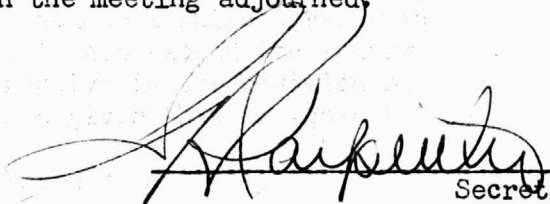
"As a whole, Mr. Stimpson's letters reflect differences of opinion within the Association concerning problems of internal management which do not have a direct bearing upon the decision whether a voting permit should be issued. The Board does not believe that it is the proper forum for the settlement of those differences."

Approved unanimously.

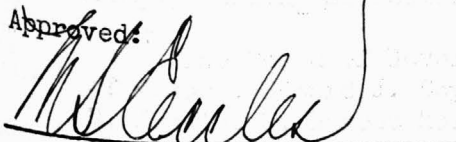
Memorandum dated January 14, 1947, from Mr. Bethea, Director of the Division of Administrative Services, recommending the printing of 6,000 additional copies of the Federal Reserve Act as Amended to November 1, 1946, at an approximate cost of \$2,600. The memorandum also recommended that the appropriate classification in the budget of that Division for 1947 be increased by the amount necessary.

Approved unanimously.

Thereupon the meeting adjourned.

  
Secretary.

Approved:

  
Chairman.