Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, January 27, 1947. The Board met in the Board Room at 10:35 a.m.

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

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Morrill, Special Adviser
Mr. Thurston, Assistant to the Chairman
Mr. Smead, Director of the Division of Bank Operations
Mr. Thomas, Director of the Division of Research and Statistics
Mr. Vest, General Counsel
Mr. Leonard, Director of the Division of Examinations
Mr. Nelson, Director of the Division of Personnel Administration
Mr. Townsend, Assistant General Counsel

The Secretary read a draft of a letter to Mr. Sproul, President of the Federal Reserve Bank of New York, which was as follows:

"The Board of Governors approves the payment of salary to Mr. John H. Williams, while serving as Economic Adviser to the Federal Reserve Bank of New York, for the period January 1, 1947 through March 31, 1947, at the following rate fixed by the Board of Directors as reported in your letter of January 3, 1947:

when he is engaged in the work of the Bank on a full-time basis, at the rate of $22,000 per annum; and
when he is not engaged in the work of the Bank on a full-time basis, at the rate of $84.62 per day for each day on which he spends any time, on behalf of the Bank, at the Bank or at a Federal Reserve or related meeting elsewhere, plus his reasonable travel, lodging and subsistence expenses."
"It is understood from Chairman Eccles' telephone conversation with you that Mr. Williams' status will be that of a special officer, that his name will not be included in the published list of officers of the Bank, but that he will be listed as an economic adviser, and that in that capacity he will not be authorized to sign anything officially for the Bank.

"The Board of Governors also approves the payment of salary as fixed by the Board of Directors to Mr. Walter H. Rozell, Jr., Manager, assigned to the Foreign Department, at the rate of $8,500 per annum for the period January 1, 1947, to March 31, 1947, inclusive.

"We are glad to have the information included in your letter regarding the reappointment of officers and the assignment of their duties."

The arrangement made by the New York Bank with Mr. Williams was considered in the light of the discussion at the meeting of the Board on July 19, 1946, after which, upon motion by Mr. Evans, the letter to Mr. Sproul was approved unanimously.

Mr. Evans referred to a draft of a letter to the Presidents of all Reserve Banks concerning attendance of officers and employees at the Central States School of Banking, sponsored by the State banking associations of the Central States at the University of Wisconsin, and the Pacific Northwest School of Banking at the University of Washington when it reopens next August. The draft stated that the Board believed it would be desirable for Federal Reserve Banks, located in the districts from which it might be expected that bankers would attend these regional schools, to encourage attendance of Federal Reserve officers and employees, and that the Board would have no objection if the Reserve Banks referred to should desire to select (in addition to selections to attend the Graduate School of
Banking at Rutgers) one officer or qualified employee each year to attend each of these schools. The letter had been circulated for consideration at this meeting.

Mr. Vardaman questioned whether in establishing limitations of the kind proposed in the draft of letter, the Board was going too much into the minutiae of how the officers and employees at the Banks spend their time.

Chairman Eccles stated that instead of limiting the attendance at the Graduate School of Banking at the Banks' expense, as had been done in the past, the Board might use the budget procedure which was being resumed to supervise expenditures for such purposes.

There was a general discussion of participation in the schools of banking during which it was pointed out that a limit of one or two persons from each Reserve Bank bore no relationship to the size of staffs at the several banks, that the principal purpose for such limitation on attendance at the Graduate School of Banking at Rutgers had been to avoid sending representatives from the Federal Reserve System in numbers out of proportion to representatives from commercial banks, and that aggregate attendance by Reserve System personnel at the school had never approached the maximum number which might be sent under the Board's authorization. During the discussion it was suggested that the Reserve Banks be advised that the Board was in favor of their sending a reasonable number of qualified officers and employees to any of the three schools of banking.
It was agreed unanimously that the draft of letter should be revised and submitted to the Board again for further consideration.

Mr. Vardaman stated that he had asked for a discussion at this meeting of the resignation of Ernest J. Hopkins, Economic Specialist in the Division of Research and Statistics, as he had understood that Mr. Hopkins would have preferred to continue working for the Board rather than to join the staff of the Department of Commerce.

The circumstances surrounding the resignation of Mr. Hopkins were discussed, and it was agreed unanimously that the resignation be accepted to become effective, in accordance with his request, at the close of business January 19, 1947, with the understanding that a lump sum payment would be made for any annual leave remaining to his credit as of that date.

Mr. Leonard then made substantially the following statement:

"In accordance with the understanding reached at the meeting on January 17, Mr. Townsend and I had a luncheon meeting on January 20 with Mr. John F. Anderson, Chief Counsel for the Comptroller of the Currency, and Messrs. Vance Sailor and G. J. Oppegard, Chief, Division of Examinations, and Counsel, respectively, of the Federal Deposit Insurance Corporation, at which time we discussed the request contained in the letter from the General Accounting Office to the Federal Deposit Insurance Corporation dated December 17, 1946, that examination reports of certain banks be made available in connection with the review being made by the General Accounting Office of the activities and practices of that Corporation. At that meeting
"there was a discussion of the reason for the request, and Mr. Sailor said the General Accounting Office felt that inspection of the reports was necessary in order to see whether (1) the examination work of the Corporation was being conducted in accordance with the instructions of the directors, (2) whether the rehabilitation programs of the Corporation were sound and reasonable, and (3) whether the examinations being made were effective in detecting defalcations. The representatives of the General Accounting Office had also asked as to the cooperation received by the Corporation from the Comptroller of the Currency and the Board, and Mr. Sailor said they had been told that the cooperation had been '100 per cent'.

Mr. Anderson said the Comptroller of the Currency had authorized the Federal Deposit Insurance Corporation to make available the open section of reports of examination covering the national banks (all of which were closed banks) requested by the General Accounting Office, and that the Comptroller of the Currency was very much opposed to making reports of open banks available.

Mr. Sailor stated that he had a letter from Chairman Harl authorizing access by the General Accounting Office to reports of examination of the insured nonmember banks as requested, all of which were closed banks, that the representative of the General Accounting Office wanted to see some reports of open insured nonmember banks, and that that matter would have to be cleared with Mr. Harl. The banks listed in the letter of December 17, 1946, include five open State member banks so that the Board is the only agency faced with the immediate question, on the basis of the original request, whether it will make reports of open banks available. Mr. Anderson also said that the Secretary of the Treasury was interested in this question, and that Mr. Foley, Assistant Secretary of the Treasury, was strongly opposed to the release of examination reports to the General Accounting Office, although he was willing to discuss the matter with the Comptroller General. It was Mr. Sailor's view that if the reports were made available it be under the conditions recommended in the memorandum addressed to Mr. Harl by Mr. Oppegard.
"The recommendation of the group was that a conference of the heads of the three bank supervisory agencies and the Comptroller General be held in order that the Comptroller General might be made aware of the significance of his request to the agencies concerned and, if his office still considered it necessary to have the reports, to arrive at a definite understanding with respect to the manner in which they would be made available and the conditions under which they could be used."

In the discussion which ensued, Mr. Vardaman asked why the Board should not take the position that it had no authority to turn over to the General Accounting Office or any other agency not charged with the supervision of banks any reports of examination of either closed or operating banks, that the Board would be glad to cooperate with the General Accounting Office, but that it could not make the reports available without receiving an opinion from the Attorney General stating that such action was proper.

Messrs. Vest and Townsend said that there had been a court decision on the point, that there appeared to be no legal reason for not making the reports available, and that the decision was one of policy for decision by the Board. They also noted that Counsel for both the Federal Deposit Insurance Corporation and the Comptroller of the Currency had expressed similar opinions.

Mr. Vardaman questioned whether the case referred to would be controlling in the question before the Board. It was his view that the Board could not with propriety make reports of examination of State member banks available to other agencies not specifically
charged with responsibility for supervision of banks or otherwise investigating into the management of banks. He suggested that the matter was so serious that Chairman Eccles should meet with the Comptroller of the Currency, the Chairman of the Federal Deposit Insurance Corporation, and the Comptroller General with respect to it.

Chairman Eccles suggested that since bank examination was one of Mr. Vardaman's assignments, he should represent the Board at such a meeting.

Mr. Evans expressed the opinion that whatever solution was arrived at, it should not place the Board in a different position from that of the Federal Deposit Insurance Corporation.

Chairman Eccles said that he could not see that any harm would be done, either to the banks concerned or to the public, by making available to the General Accounting Office, in connection with its review of the Federal Deposit Insurance Corporation, examination reports which would be needed if the General Accounting Office was to make an adequate report on the manner in which the Federal Deposit Insurance Corporation was carrying out its examination function. He also said that if the Board declined to permit access to reports of State member banks, the report of the Comptroller General to the Congress would have to state that his office was not in a position to complete its review of the Federal Deposit Insur-
ance Corporation, because the Board of Governors had declined to make available certain necessary reports.

Mr. Morrill suggested that a reply to the Federal Deposit Insurance Corporation might authorize it to make available to the General Accounting Office the examination reports covering the specified State member banks for which the Comptroller General had asked under the same terms and conditions as applied by the Federal Deposit Insurance Corporation in making available reports of examination of insured nonmember banks.

Upon motion by Mr. Evans, it was agreed unanimously that Mr. Vardaman would get in touch with the Treasury Department for the purpose of having a meeting called which would be attended by him, the Comptroller of the Currency, the Chairman of the Federal Deposit Insurance Corporation, the Comptroller General, and a representative of the Treasury Department to discuss fully the purpose of the Comptroller General's request. It was also understood that if after that meeting the Comptroller General should insist on having the reports of examination made available to his representatives in the course of his audit of the Federal Deposit Insurance Corporation, the Board would address a letter to the Chairman of the Federal Deposit Insurance Corporation in reply to his letter, stating that the Board would be willing to have the reports of examination of the specific State member banks in question made available to the Comptroller General to the same extent and under the same terms and conditions as the Federal Deposit Insurance Corporation makes reports of examinations of insured nonmember banks available.
Reference was then made to draft of a letter to Mr. Gidney, President of the Federal Reserve Bank of Cleveland, which read as follows:

"Reference is made to Mr. Taylor's letter of January 11, 1947, asking the Board's authority to proceed with the construction of an additional vault. It is noted that construction of the vault is considered advisable as it would reduce movement and permit you to operate more efficiently and with fewer personnel. The Board will interpose no objection to proceeding with construction of the additional vault at a cost of approximately $36,757. It is noted that the prices reflected in this estimate are subject to change at time of delivery and installation, and it will be appreciated if you will advise the Board before proceeding with the work of any substantial increase in the estimate."

Mr. Vardaman said that in his recent visits to Federal Reserve Banks he had found very unsatisfactory and inadequate space conditions at some of them, especially the Jacksonville Branch and the head office of the Federal Reserve Bank of Atlanta, and he asked whether the time had come when the Federal Reserve Banks should be permitted to undertake the work necessary to modernize their buildings or provide internal rearrangements of space in order to provide adequate working conditions and to carry on operations more efficiently. He felt that the Federal Reserve Bank of Atlanta should now be authorized to go ahead with the alteration work proposed by it in February 1946, which would close in the light well in their head office building and provide badly needed space and which had been disapproved by the Board in its letter of March 7, 1946. He
stated further that vault space and protection at several Reserve Banks and Branches was inadequate because of unsatisfactory building conditions, and that he believed the Board should leave decisions with respect to remedying such conditions to the directors of the Federal Reserve Banks.

Chairman Eccles reviewed the background of the Board's policy regarding major alterations and building projects at Federal Reserve Banks during the war and immediate postwar years, pointing out that in 1945 and 1946 when Board policy generally had been anti-inflationary in character, it seemed appropriate to apply similar policies within the System by deferring construction at the Reserve Banks. He went on to say that construction of vault facilities had been and would now be permitted where necessary, that conditions with respect to other types of construction work had changed somewhat since a year ago, that while inflationary pressures were now less of a threat there still were shortages of building materials, and that major construction projects running into very large amounts should not be undertaken for another year, but that there would seem to be no objection to authorizing the Banks to proceed at this time with alterations which were necessary and which would involve an expenditure of around $100,000.

Upon motion by Mr. Vardaman, the letter to Mr. Gidney was approved unanimously and it was agreed that a letter should be sent to Mr. McLarin, President of the Federal Reserve Bank.
of Atlanta, authorizing that Bank
to proceed with the work outlined
in his letter of February 20, 1946,
at an estimated cost of approxi-
mately $60,000.

Consideration was also given to a memorandum from Mr. Thomas,
dated January 16, 1947, recommending that the System continue in 1947
its cooperative study with the Robert Morris Associates of the finan-
cial experience of medium and small-sized manufacturing and trade
concerns. Mr. Vardaman stated that he would like to know how that
study fitted into the survey of projected research work discussed
at the meeting of December 19, 1946, what the cost of the survey
would be, and what use was made of the information when compiled.

Mr. Thomas said that this survey had been initially under-
taken by the System in 1944, that the cost to the Board in 1946 was
a little over $4,000, that it involved the analysis by the System
of data collected by the Robert Morris Associates, that the informa-
tion provided the only reasonably current financial material avail-
able on smaller manufacturing and trade concerns, and that it had
been of value in connection with current credit and business develop-
ments. He also stated that it was possible that the Federal Trade
Commission and the Securities and Exchange Commission would compile
similar figures covering 1947 and subsequent years, in which event
continuance of the work done by the System would not be necessary.

Upon motion by Mr. Vardaman, it
was agreed unanimously that the
Board should continue during 1947
its cooperative study with Robert Morris Associates as recommended in Mr. Thomas' memorandum.

Mr. Evans referred to a conference of personnel men from the Federal Reserve Banks of Boston, New York, Philadelphia, Cleveland, and Kansas City, which had been held at the Federal Reserve Bank of Philadelphia on January 21-22, and which had been attended by Messrs. Nelson and Leonard of the Board's staff, and by personnel consultants who were assisting the Banks named in their job evaluation projects currently underway. At Mr. Evans' request, Mr. Nelson stated that the meeting had been called to see what could be done in a preliminary way to bring the personnel classification plans at the Banks into a uniform plan which would apply to all the Banks, and that the problem was thoroughly discussed during the meeting and by the consultants in a separate session when they agreed upon a uniform plan based on progressive methods of classification and job evaluation which had been used by a number of large industrial and other concerns. The plan contemplated that there would be a series of 18 grades to which the various jobs in a Bank would be assigned based upon point values arrived at in terms of the difficulty of the work, that positions at all Federal Reserve Banks would be classified within these grades although some Banks would not have jobs in all grades, and that a job classed in a given grade at any one Bank would represent work requiring substantially the same amount of
effort as that required for any job similarly classified at any other Federal Reserve Bank. Such a uniform classification plan, he said would represent a workable and progressive system and would be subject to audit for the purpose of determining whether persons were being classified with substantial uniformity at each Bank.

Mr. Nelson also stated that after the uniform classification plan had been developed, the next step would be the setting of salary ranges for each grade. According to the personnel consultants, he said, the salary ranges should be based on local wage surveys which should include both bank and non-bank employers and a representative sample of employers following progressive personnel and wage policies. As to timing, Mr. Nelson stated that the job evaluations had been completed at most of the Banks, that the plan discussed at the Philadelphia meeting would be sent to the Presidents of all of the Federal Reserve Banks, that it was expected that a report would be ready for discussion before the Presidents' Conference in February, and that the Presidents of the Federal Reserve Banks would be prepared to discuss their plans in near-final form at the time of the Presidents' Conference during the last week of February.

Mr. Evans stated that since the time was rapidly approaching when the Board would have to act on the plan and salary scales proposed by the Reserve Banks, he felt the Board members should have the benefit of a discussion with some of the personnel consultants
who had assisted the Reserve Banks in their job evaluation studies and he recommended that the Board authorize that such arrangements be made.

It was agreed unanimously that one or more of the personnel consultants employed by the Federal Reserve Banks in connection with job evaluation surveys be invited to come to Washington prior to the forthcoming Conference of Presidents to meet with the Personnel Committee and such other members of the Board as were available.

Reference was made to a draft of a letter prepared by Mr. Leonard, which had been circulated for consideration at this meeting, and which would request the Federal Reserve Banks to submit bi-monthly reports summarizing conditions in their districts as shown by examination reports and other data available.

Mr. Vardaman stated that he had asked that this matter be placed on the docket, and that he would like to know the object of such reports, what it was hoped would be obtained from the reports, and what would be done with them after they reach the Board.

Mr. Leonard stated that it was hoped that the proposed reports, which would be experimental in nature, would contain a great deal of valuable information which would be of interest and assistance not only to the Division of Examinations but also to Board members, to the Division of Bank Operations, and to the Division of Research and Statistics and which would not otherwise be available currently to the Board.
Chairman Eccles suggested that a quarterly report rather than one at bi-monthly intervals might be adequate.

After a discussion of the scope of the material that might be received and the use to which it might be put, the proposed letter was approved unanimously in the following form:

"The Federal Reserve Banks, and especially their Bank Examination Departments, have a wealth of material about banking conditions in their respective districts, particularly information reflecting significant developments in the banking field not ordinarily obtainable from bank statistics, both as to individual banks and as to various areas within the districts. 

Such information, developed through the many contacts of the Reserve Banks with the business and financial communities, is made available within the official staffs of the several Reserve Banks through conversations and discussions and reports, both formal and informal. It is believed that the usefulness of such information would be extended, however, if memoranda briefly summarizing the highlights of developments could be forwarded periodically to the Board for the benefit of those charged with responsibility for credit and monetary matters as well as those dealing with bank regulation and supervision.

"Accordingly, it is requested that a brief memorandum be forwarded to the Board as of February 28, 1947, and quarterly thereafter, which would reflect in a summary manner current trends in the district. Such information would be based upon recent examinations made by the Reserve Banks and the review of reports of examinations of national banks currently received, conversations with the Bank's own examiners and representatives of other supervising agencies, conversations with bank officers and the public, published information, and other pertinent data which may be available and helpful.

"It is contemplated that the memoranda will be brief, largely textual in form, with a minimum of statistical data, and so prepared as to summarize the highlights and significant developments, or lack of significant developments, during the reporting period."
"It is believed that this is an experiment well worth trying, and that the information so received would profitably supplement that obtained from condition and earnings reports, through the Research Departments, and from other sources."

At this point Messrs. Smead, Thomas, Vest, Leonard, Nelson, 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 January 24, 1947, were approved unanimously.

Memorandum dated January 23, 1947, from Mr. Carpenter recommending that the resignation of Miss Margaret M. McGarvey, a file clerk in the Secretary's Office, be accepted to become effective, in accordance with her request, at the close of business February 14, 1947, with the understanding that a lump sum payment would be made for any annual leave remaining to her credit as of that date.

Approved unanimously.

Memorandum dated January 17, 1947, from Mr. Thomas, Director of the Division of Research and Statistics, recommending the appointment of Joseph G. Tulenko as a tabulation planner in that Division to carry on the work to be performed on the International Business Machines equipment for use at this time particularly in connection with the commercial and industrial loan survey. The memorandum stated that the appointment was recommended on a temporary basis for a period not to exceed three months, with basic salary at the rate of $3,021 per annum, effective as of the date upon which he
enters upon the performance of his duties after having passed the usual physical examination. The memorandum also stated that it was not contemplated that Mr. Tulenko would become a member of a retirement system because of the temporary nature of his appointment.

Approved unanimously.

Memorandum dated January 21, 1947, from Mr. Bethea, Director of the Division of Administrative Services, recommending the appointment of James P. Lynch, as a Reservation Clerk in that Division, on a temporary basis for a period not to exceed six months, with basic salary at the rate of $3,021.00 per annum, effective as of the date upon which he enters upon the performance of his duties after having passed the usual physical examination. The memorandum also stated that Mr. Lynch was a member of the Civil Service Retirement System and would remain in that system.

Approved unanimously.

Memorandum dated January 23, 1947, from Mr. Bethea, Director of the Division of Administrative Services, recommending that Thomas N. Buckley, who has been on military leave, be reinstated in his position as telegraph operator in that Division with basic salary at the rate of $2,845.44, effective as of the date upon which he enters upon the performance of his duties after having passed the usual physical examination.

Approved unanimously.
Letter to Mr. Treiber, Assistant Vice President of the Federal Reserve Bank of New York, reading as follows:

"In view of the circumstances described in your letter of January 21, 1947, the Board of Governors approves the assignment of Mr. Charles R. Athern on a temporary basis in an unassigned position in the Foreign Department for a further period of six months beginning January 24, 1947. It is noted from your letter that it is hoped that by the end of this period Mr. Athern will be assigned permanently."

Approved unanimously.

Telegram to Mr. McLarin, President of the Federal Reserve Bank of Atlanta, stating that, subject to conditions of membership numbered 1 to 3 contained in the Board's Regulation H, the Board approves the application of the "Jeff Davis Bank & Trust Company", Jennings, Louisiana, for membership in the Federal Reserve System, effective if and when the bank is duly authorized to commence business by the appropriate State authorities, and for the appropriate amount of stock in the Federal Reserve Bank of Atlanta. The telegram requested that the Federal Reserve Bank advise the applicant bank of the Board's approval of the application and conditions of membership prescribed, together with necessary instructions as to the procedure for accomplishing membership, and stated that a letter containing detailed advice regarding such approval would be forwarded to the applicant bank through the Reserve Bank. The telegram contained the following additional statement:
"It is noted that capital $100,000, surplus $20,000 and undivided profits $5,000 have been paid in."

Approved unanimously.

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

"Reference is made to your letter of January 20, 1947, submitting the request of The Commerce Guardian Bank, Toledo, Ohio, for permission under the provisions of condition of membership numbered 3 to which it is subject, to purchase for $19,500 a building located at 3028 Lagrange Street in the city of Toledo, where the institution is opening a branch office.

"In accordance with your recommendation the Board of Governors approves the proposed additional investment of $19,500 in bank premises by The Commerce Guardian Bank."

Approved unanimously.

Letter to the board of directors of the Mercantile-Commerce National Bank in St. Louis, St. Louis, Missouri, reading as follows:

"In connection with a review recently made by the Federal Reserve Banks of all cases in which member banks have been granted authority by the Board of Governors to accept drafts and bills of exchange up to 100 per cent of their capital and surplus, the Board of Governors has been advised by the Federal Reserve Bank of St. Louis that the matter of your bank's need for this authority and the extent of its use has been discussed with the management. It is understood that an officer of your bank has indicated that the bank does not now execute and has not executed acceptances for many years, and that if any calls for acceptance credits should be made to your bank, they would probably be referred to the Mercantile-Commerce Bank & Trust Company of St. Louis.

"In view of this information and in accordance with its general policy, the Board of Governors is considering the rescission of the authority previously granted to your bank by the Board to accept drafts and bills of exchange up to 100 per cent of its capital and surplus. Such action would be taken in accordance with section 1(e)(2) of the Board's Regulation C as revised effective August 31, 1946."
"If your bank should care to submit any statement with respect to this matter prior to any action by the Board, the statement should be submitted through the Federal Reserve Bank of St. Louis not later than 30 days from the date of this letter.

In this connection, your attention is called to the fact that, in the event of the rescission of your bank's authority to accept drafts and bills of exchange up to 100 per cent of its capital and surplus, such action would not affect the statutory authority of your bank under section 13 of the Federal Reserve Act to accept drafts and bills of exchange up to 50 per cent of its capital and surplus; nor would such action affect the right of your bank at any time in the future, if it should wish to do so, to file an application for the granting of authority to accept up to 100 per cent in accordance with the applicable provisions of Regulation C."

Approved unanimously.

Letter to the Union Trust Company of East St. Louis, East St. Louis, Illinois, reading as follows:

"The Board of Governors of the Federal Reserve System has considered the application for permission to exercise fiduciary powers made by you on behalf of Union National Bank of East St. Louis, East St. Louis, Illinois, the national bank into which Union Trust Company of East St. Louis, East St. Louis, Illinois, is to be converted.

It is understood that the national bank does not intend to engage in the trust business but desires to continue the administration, pending completion, transfer or liquidation, of the trust accounts now administered by the Union Trust Company of East St. Louis. Accordingly, the Board grants such national bank authority, effective if and when it is authorized by the Comptroller of the Currency to commence business, to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State
"of Illinois, only in the specific trusts in which Union Trust Company of East St. Louis has been appointed and is acting on the date the Union National Bank of East St. Louis is authorized by the Comptroller of the Currency to commence business, the exercise of all such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

"After the conversion of Union Trust Company of East St. Louis into Union National Bank of East St. Louis becomes effective and the Comptroller of the Currency authorizes the national bank to commence business, you are requested to have the board of directors of the national bank adopt a resolution ratifying your application for permission to exercise fiduciary powers, and a certified copy of the resolution so adopted should be forwarded to the Federal Reserve Bank of St. Louis for transmittal to the Board for its records."

Approved unanimously.

Letter to the Honorable Homer Ferguson, United States Senate, reading as follows:

"This is in compliance with your recent request for our comment on a telegram, referring to the Board's Regulation W, which you have received from the Grand Rapids Used Car Dealers Association.

"This regulation, as you know, applies to installment credit, including both installment sales and installment loans. It rests on an Executive Order of August 9, 1941, which applies during the period of emergency declared by the President in an earlier Executive Order which is still in effect. The purpose of the Order and the regulation is to help reduce the inflationary pressure on the prices of consumers' goods and services, especially durable goods such as automobiles and household appliances.

"For used cars, as for new cars, the present standard requirements are that the amount of the credit may not exceed two-thirds of the cash price of the car and that the length of the installment contract shall not exceed 15 months. Used car dealers have been protesting recently against this
requirement and particularly against a rule which stands in the way of evading the down-payment requirement by overstatement, on the part of the dealer, of both the price of the used car sold and the value of any trade-in. Under this rule, the down payment required will sometimes exceed one-third but only in case the actual cash price of the used car sold is above the average set forth in one or another of the standard appraisal guides issued by publishers of such guides. According to these guides at the present time, it appears that this average — for popular makes of cars — is 125 per cent to 200 per cent above prewar, whereas the price of corresponding new cars is only about 45 per cent above prewar. The demand for used cars, though not so strong as it was some months ago, seems to be quite sufficient to carry them off the market wherever they are not too much overpriced.

"The demand for new cars, as you know, is still very strong in relation to the rate at which they are coming forward. New cars are selling as fast as they become available. The recent tendency for prices of used cars to decline may cause them to move faster and so pave the way for still stronger demand for new cars, and to the extent that Regulation W may be helping to support that tendency we believe it has general approval within the automobile industry as a whole. In any event, the unemployment to which the telegram from Grand Rapids refers has not yet appeared and does not seem to be in sight.

"The general question of whether or not the consumer credit regulation should be continued, in any form, is one which, as you know, we believe should be determined by the Congress.

"As requested, we are returning herewith the telegram which you referred to us."

Approved unanimously.

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

"Receipt is acknowledged of your letter dated December 24, 1946, relating to proposed legislation amending Section 522(c) of the Tariff Act of 1930 and in particular to the question whether members of the Board's staff should serve on an informal technical
"committee which may be established to assist the Treasury Department in the administration of this portion of the Act.

"Your letter has been circulated to the Board for their information, and if and when the issue which you raise becomes an active one, your views on the matter will be given full consideration. The bill in question has not yet been introduced into the Congress, although we understand that action is expected during this session of Congress."

Approved unanimously.

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

"Many thanks for your letter of January 2 informing me of your exchange of correspondence with the presidents of the other Reserve Banks concerning representation from those Banks at the meetings of the Staff Group on Foreign Interests."

"The Board is in general agreement with the program proposed in your letter, i.e. inviting all Banks which are interested to send representatives to periodic meetings of the Group, while having the regular intervening monthly meetings attended only by staff members from your Bank and from the Board (and by Mr. Bopp of Philadelphia). The Board is inclined to feel, however, that it would be preferable to hold the general meetings three rather than four times a year. I suggest that we leave it to the Staff Group to work out their meeting schedule on this basis, with the understanding that the first general meeting will be held within the next two or three months.

"We agree that it would be desirable to have the agenda for each general meeting sent out to all of the Reserve Banks as far in advance as possible, so that they may have an opportunity to determine whether they have a special interest in any of the topics listed for discussion. I understand that the Group will try to arrange its schedule in such a way as to assure that the subjects listed for discussion at the general meetings will be of a character likely to interest the other Banks."
"There is one further aspect of these arrangements which we believe should be fully understood by all concerned, i.e. that the representatives of the other Banks would have the status of observers, having the privilege of taking full part in the discussion, but not having the responsibility of participating in recommendations submitted by the Staff Group to the Policy Group. This responsibility would continue to be limited to the staff members from your Bank and from the Board.

"I suggest that you inform the presidents of the other Reserve Banks that the Board has approved the plan subject to the above qualifications, and that they will be advised in due course of the time, place, and agenda for the first general meeting of the Staff Group."

Approved unanimously.

Thereupon the meeting adjourned.

Chairman.

Secretary.