

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, January 30, 1947.

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. Vardaman's office reported that he was absent from the city on an official trip to Norfolk and environs.

Memorandum dated January 27, 1947, from Mr. Vest, General Counsel, recommending that Mrs. Evelyn W. Edwards, a stenographer in the Legal Division, be granted leave without pay for the period January 26 to 31, inclusive, due to illness. The memorandum also stated Mrs. Edwards was a member of the Civil Service Retirement System, and that no question as to contributions to the Retirement System during the period of leave without pay was involved.

Approved unanimously.

Memorandum dated January 29, 1947, from Mr. Vest, General Counsel, recommending that Mrs. Ruth Esther Knox be appointed as a stenographer in the Legal Division, with basic salary at the rate of \$2,394.00 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 it was contemplated Mrs. Knox would become a member of the Federal Reserve Retirement System.

Approved unanimously.

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Memorandum dated January 27, 1947, from Mr. Thomas, Director of the Division of Research and Statistics, recommending that Miss Mary Gertrude Offutt be appointed as a clerk in that Division on a temporary indefinite basis, with basic salary at the rate of \$2,394.00 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 Miss Offutt was a member of the Civil Service Retirement System and that she would remain a member of that system.

Approved unanimously.

Memorandum dated January 27, 1947, from Mr. Thomas, Director of the Division of Research and Statistics, recommending that Miss Rita I. Ryhal be appointed as a clerk in that Division on a temporary indefinite basis, with basic salary at the rate of \$2,394.00 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 Miss Ryhal was a member of the Civil Service Retirement System and that she would remain a member of that system.

Approved unanimously.

Memorandum dated January 27, 1947, from Mr. Bethea, Director of the Division of Administrative Services, recommending that the following increases in basic annual salaries of employees in that

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Division be approved, effective at the beginning of the next pay roll period following approval by the Board:

<u>Name</u>	<u>Designation</u>	<u>Proposed Increase</u>	
		<u>From</u>	<u>To</u>
F. Allison Kramer	Accounting Clerk	\$3,021.00	\$3,146.40
E. P. Jordan	Operating Engineer	2,920.68	3,021.00
John N. Lyon	Accounting Clerk	2,694.96	2,895.60
Susie T. Oros	Accounting Clerk	2,770.20	2,895.60
Donald W. Moon	Clerk	2,469.24	2,544.48
Ruth M. Smallwood	Stenographer	2,469.24	2,544.48
Bruce L. Moffett	Operator (Duplicating Devices)	2,318.76	2,394.00
Mary Crawford	Head Cook	2,318.76	2,394.00
Robert H. Jones	Mail Clerk	2,318.76	2,394.00
Dora Harrison	Junior Supervisor (Cafeteria)	2,243.52	2,318.76
Mary A. Weikel	Telephone Operator	1,954.00	2,168.28
Charles E. Crowell	Chauffeur	2,093.04	2,168.28
Gertrude M. Murphy	Clerk-Stenographer	2,093.04	2,168.28
Winnie Tull	Junior Supervisor (Cafeteria)	2,093.04	2,168.28
Eva Brown	Baker	2,093.04	2,168.28
Reba Mull	Clerk	2,020.00	2,093.04
Alvin Bissett	Cook	2,020.00	2,093.04
Blanche Broadhurst	Cafeteria Helper	1,954.00	2,020.00
Harry Taylor	Cafeteria Helper	1,954.00	2,020.00
Nellie Gray Tobler	Elevator Operator	1,888.00	1,954.00

Approved unanimously effective February 9, 1947.

Memorandum dated January 27, 1947, from Mr. Nelson, Director of the Division of Personnel Administration, referring to the procedure previously authorized by the Board with respect to the selection of officers and employees of the Board of Governors and the Federal Reserve Banks to attend the Graduate School of Banking at Rutgers University, and recommending that the following named employees of the Board's staff be selected to attend the 1947 resident

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session of the Graduate School of Banking, with the understanding that they will be allowed the necessary leave with pay in addition to regular annual leave and be reimbursed for their transportation expenses from Washington, D. C., to New Brunswick, New Jersey, and return (Kenneth A. Kenyon of the Road Force to be reimbursed from whatever point he may be stationed to New Brunswick and to the Federal Reserve Bank which may be under examination at the time he is released from Rutgers), and for their registration and resident and extension tuition fees:

Division of Bank Operations - John C. Franzoni

Division of Examinations (Road Force) - Kenneth A. Kenyon

Approved unanimously.

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

"In accordance with the request contained in your letter of January 21, 1947, the Board approves the designation of the following employees of the Federal Reserve Bank of Cleveland as special assistant examiners:

Ray Gottschalk

Carl E. Holl

Robert J. Kegerreis

Willard S. May

Elfer E. Miller

Walter Schellenberger

"Appropriate notations have been made in our records of the names reported as deletions."

Approved unanimously.

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

"In accordance with the request contained in your letter of January 24, 1947, the Board of Governors approves the continuation of the assignment of the following employees as analysts until the completion of your job evaluation program:

HEAD OFFICE

Virginia L. Smith
Donald C. Robinson
Karl P. Wendt
Jeanette F. Olsen

CINCINNATI BRANCH

G. W. Hurst
W. H. Marsh

"This approval is given with the understanding that the salaries paid the above employees while serving in temporary assignments will not exceed the salaries they would be eligible to receive in the positions they occupied at the time they were given these assignments.

"The Board of Governors also approves the continuation of the assignment of Mr. Dale A. Dougherty as job analyst in the Personnel Department of the Pittsburgh Branch until the completion of the job evaluation program, with the understanding that his salary will continue at the same rate he is now receiving."

Approved unanimously.

Letter to Mr. Koppang, First Vice President of the Federal Reserve Bank of Kansas City, reading as follows:

"In view of the exceptional circumstances outlined in your letter of January 24, 1947, submitted in accordance with the Board's letter of February 4, 1946, S-895, the Board of Governors approves the payment of salary to Miss Bess G. Parrish for active service during the period from January 1, 1947, to June 30, 1947, inclusive."

Approved unanimously.

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

"Reference is made to your letter of January 21, 1947, in which you state that the Board's letter of January 15, 1947, approving as of January 1, 1947, the appointment of Mr. Mangels as First Vice President and salary adjustments for him and other officers of the Bank, did not indicate that consideration was given to the proposal of your directors that the salary changes be made effective November 7, 1946. Your letter requests approval of salary changes as of that date.

"The effective date fixed by the action of your board of directors was considered by the Board. However, because of the time required for the consideration of the appointment of Mr. Mangels, during which time the position of First Vice President was vacant and Mr. Mangels continued to serve as Vice President, the Board did not feel that it should make its approval of the appointment and the salary proposed for him retroactive to November 7. Accordingly, after receipt of the additional information which you furnished upon your return to San Francisco at the end of the year, and the information contained in your telegram of January 3, 1947, the Board decided to approve the appointment and salary for Mr. Mangels as of January 1, 1947.

"Inasmuch as the changes in duties and adjustments in salaries of the other four officers were contingent upon the action taken with respect to the position of First Vice President, it was felt that these adjustments should be effective as of the same time."

Approved unanimously.

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

"In view of the recommendation contained in your telegram of January 27, 1947, the Board of Governors extends to March 3, 1947, the time within which The Dollar Savings Bank Company, Niles, Ohio, may accomplish membership."

Approved unanimously.

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Letter to the Greater Chicago Used Car Dealers Association,

33 North LaSalle Street, Chicago, Illinois, reading as follows:

"This is in reply to your telegram of January 16, 1947, in which you ask that Regulation W be eliminated on the grounds that it will paralyze the automobile industry, that it has prohibited purchase of good automobiles by the working man and that as a result production and our economy will be disastrously injured. A copy of your telegram was also referred to this Board by the President.

"With the supply of automobiles as limited as it is now in relation to the demand, the Board has not considered that this is the proper time to relax the terms permitted on automobile instalment credit. All of the available information indicates that automobile manufacturers could sell many more cars than they can produce under present conditions of limited material supplies. We have heard no complaints from the manufacturers or from new car dealers that the credit terms now required prevent them from selling cars. The Board contemplates that some modification of the terms of Regulation W will be needed, however, when present inflationary pressures have subsided.

"It is true that, in view of the substantial increase in automobile prices, considerably higher monthly payments are now required on automobile credit under the regulation than were generally required before the war. The increase in car prices, however, has been accompanied by a substantial increase in incomes, and in holdings of liquid assets even by people with middle and lower incomes. Prices of new automobiles have increased less since 1941 than have average earnings of production workers or disposable income of all individuals. Thus, people generally should be able to meet present instalment terms about as well as they were able to meet 1941 terms out of their 1941 incomes.

"There are, of course, some individuals who have not gained as much as the average. But at a time when automobiles are in short supply and prices are high, more liberal credit terms would not be likely to put many of them in a position to bid cars away from the people who are better off. They would have to bid still higher prices and take on debt obligations which

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"would be serious burdens for them. It has seemed to us that their best interest as well as that of the whole country is in a more orderly market and less piling up of debt, and we believe Regulation W helps to accomplish these objectives.

"With regard to the broader question as to whether or not consumer credit regulation should be continued at all, the Board believes that this should be determined by the Congress and it has asked that the Congress consider this question. We are enclosing a copy of the statement issued by the Board in connection with the revision of Regulation W effective December 1, 1946, which states its position on this question in more detail."

Approved unanimously.

Letter to Mr. Davis, President of the Federal Reserve Bank of St. Louis, reading as follows:

"Mr. John W. Minton, President of the United Bank and Trust Company of St. Louis, has recently sent to the Board a copy of your letter of December 30, 1946, to the United Bank and Trust Company and a copy of Mr. Minton's letter of reply of January 24, 1947, regarding the absorption of the cost of shipments of currency. It is understood that the correspondence relates to shipments made by the United Bank and Trust Company to its correspondent banks rather than to shipments made by the Federal Reserve Bank at the request of the United Bank and Trust Company to correspondent banks.

"In this connection the Board wishes to review briefly the considerations which it had in mind in approving the action taken by your bank and the Federal Reserve Bank of Atlanta last November with respect to shipments of currency made by the Federal Reserve Banks to nonmember banks at the request of member banks, and also to make clear the Board's position with respect to the absorption by member banks of the costs of currency shipments in the light of Regulation Q.

"It was recognized that the absorption by member banks of the costs of shipments of currency made at their request to nonmember banks by a Federal Reserve Bank might sometimes involve a violation of the spirit of Regulation Q but that, since the Regulation defines

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"interest" as any payment to or for the account of any depositor as compensation for the use of funds, it would be extremely difficult in a particular case to assemble facts necessary to prove that the practice legally contravenes the Regulation. Since, however, the Federal Reserve Banks, by making the shipments for their member banks, were in the position of affording opportunity for further development of the practice, the Board agreed that, without attempting to meet the question of possible violation of Regulation Q directly, it was desirable that the Federal Reserve Banks take appropriate action by amending their Manual of Facilities to discourage the practice. This change in the Manual of Facilities, however, related only to shipments made by Federal Reserve Banks and it was recognized that this action would not prevent a member bank from absorbing the expense of shipments of currency made by it directly to its nonmember correspondent banks.

"For a number of years, as you know, it has been the Board's general policy not to express an opinion with respect to whether a particular practice involves a payment of interest on demand deposits in violation of Regulation Q, except after consideration of all the facts and circumstances of a specific case as developed in the course of examinations of the member bank involved. In line with this policy, the Board has on occasion declined to express any view with respect to whether practices similar to that here in question involve an indirect payment of interest contrary to the law and Regulation Q. Moreover, in view of the difficulty of showing that the absorption of the costs of shipping currency in a particular case involves a payment of compensation for the use of funds constituting deposits, the Board feels that it is very doubtful whether such a practice would be held to involve a violation of law if in any particular case the matter should reach the point of litigation. It would seem desirable, therefore, to avoid any action which might cause this question to become an issue and might consequently react unfavorably upon the efforts of the Board and the Federal Reserve Banks to enforce compliance with Regulation Q in respect to other matters such as the practice of absorbing exchange charges.

"The Board is bringing this matter to your attention in order that you may be cognizant of the

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"Board's viewpoint with respect to this matter in any discussions of the subject which you may have with member banks or others."

Approved unanimously.

Letter to Mr. D. J. Needham, General Counsel, American Bankers Association, 719 - 15th Street, N. W., Washington, D. C., reading as follows:

"This refers to your letter of December 16, 1946, addressed to Chairman Eccles, and to the brochure enclosed therewith, with respect to a proposal to amend and clarify section 5219 of the United States Revised Statutes relating to the taxation of national banks by the several States.

"It is our understanding that the proposed amendment to the statute is intended primarily to clarify the law by removing existing uncertainties and arranging the provisions of the statute in more orderly sequence, and that the principal changes of substance in the law are those which would authorize the States to impose sales and use taxes on national banks and to impose a minimum tax where the excise method of taxation is followed.

"In 1944 the Board advised the Chairmen of the Banking and Currency Committees of the Senate and the House of Representatives that the Board would interpose no objection to the enactment into law of a similar proposal to revise the statute in question. It appears that the present proposal is essentially the same as that which was considered by the Board in 1944.

"In the circumstances, you are advised that the Board will interpose no objection to the enactment into law of the proposal to amend section 5219 of the Revised Statutes as described in your letter and in the accompanying brochure."

Approved unanimously.

Approved:


Chairman.


Secretary.