

2/24/47 Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, February 24, 1947.

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

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

Minutes of actions taken by the Board of Governors of the Federal Reserve System on February 21, 1947, were approved unanimously.

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

"In accordance with the request contained in your letter of February 18, 1947, the Board approves the designation of the following employees as special assistant examiners for the Federal Reserve Bank of Richmond:

Ellwood P. Marshall  
 Norman F. Robinson, Jr."

Approved unanimously.

Letter to Mr. Gilbert, President of the Federal Reserve Bank of Dallas, reading as follows:

"Reference is made to your letter of February 15, 1947, advising of the changes made in the official staff of the Federal Reserve Bank of Dallas and its Branches in connection with the contemplated resumption of your bank and public relations program.

"Accordingly, the Board of Governors approves the payment of salaries to the following officers for the period February 17, 1947, through May 31, 1947, at their present rates as indicated:

2/24/47

-2-

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
<u>Head Office</u>		
E. B. Austin	Vice President	\$10,000
L. G. Pondrom	Vice President and Cashier	10,000
Howard Carrithers	Assistant Cashier	6,000
<u>El Paso Branch</u>		
Mac C. Smyth	Vice President	7,200
<u>Houston Branch</u>		
W. H. Holloway	Vice President	8,500
W. D. Waller	Cashier	6,011.28
<u>San Antonio Branch</u>		
W. E. Eagle	Vice President	7,200"

Approved unanimously.

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

"Reference is made to your letter of February 15, 1947, submitting for the consideration of the Board of Governors the proposal of The Pennsylvania Company for Insurances on Lives and Granting Annuities, Philadelphia, Pennsylvania, to purchase assets and assume the deposit liabilities of The Kensington National Bank of Philadelphia and to absorb through merger the Germantown Trust Company, both of Philadelphia.

"In view of the information submitted, the Board of Governors concurs in your opinion that the proposed transactions will not result in a change in the general character of the assets of The Pennsylvania Company for Insurances on Lives and Granting Annuities or broadening in the functions exercised by it within the meaning of condition of membership numbered 2 to which it is subject."

Approved unanimously.

Letter to the Honorable Charles W. Tobey, Chairman, Committee on Banking and Currency, United States Senate, reading as follows:

2/24/47

-3-

"This is in response to Mr. Hill's letter of February 4, 1947, requesting an opinion as to the merits of the bill S. 408 which has been referred to the Senate Committee on Banking and Currency.

"The President's Budget Message for 1948 contained a recommendation reading as follows:

'The Board of Governors has made a further recommendation, in which I also concur, that the Congress repeal the existing, largely dormant, authority of the Federal Reserve banks to make direct loans to industry, releasing to the Treasury the funds reserved for this purpose. The gold increment fund now includes 112 million dollars reserved for such loans, and an added 28 million dollars has been advanced to the Federal Reserve banks. These sums will be transferred to miscellaneous receipts.'

"This bill would carry out this recommendation of the President. In repealing the present industrial loan authority of the Federal Reserve Banks contained in section 13b of the Federal Reserve Act, the bill would require the return by the Reserve Banks of nearly \$28,000,000 heretofore paid to them by the Treasury and would release for other governmental purposes about \$112,000,000 now earmarked on the books of the Treasury for industrial loan purposes.

"In addition, this bill would continue the authority of the Federal Reserve Banks to guarantee loans to business enterprises but on a more effective basis than that provided by the present restrictive provisions of section 13b of the Federal Reserve Act. In the judgment of the Board it is important that the Federal Reserve Banks have authority to guarantee such loans in order to provide a 'stand-by' arrangement which will be promptly available whenever the need for such financing may occur.

"The Board feels that any assistance provided under Governmental authority for the financing of business enterprises through commercial banks should be restricted to partial guarantees of loans and that such assistance should be extended through the Federal Reserve Banks which are permanent credit institutions with experienced personnel thoroughly familiar with the needs and problems of both financing institutions and businesses throughout the country. Under this bill, the Reserve Banks would

2/24/47

-4-

"utilize their own funds to effect such guarantees and no public funds would be used. There would appear to be no necessity or justification for permitting any agency of the Government to use public moneys derived from taxation or governmental borrowing for this purpose.

"Provisions of existing law authorizing direct loans would be eliminated and the Federal Reserve Banks would not be in competition with the private banking system. Loans guaranteed by the Reserve Banks would be made by local financing institutions dealing with local people whom they know and with whose character, capability and capacity they would be familiar. No financing institution would be required to have any particular loan guaranteed, but if for any reason a guarantee should be desired, the assistance of the Federal Reserve Bank would be promptly available in suitable cases without referring the matter to any agency in Washington for approval.

"The Federal Reserve Banks are especially qualified to render such assistance, not only by virtue of their long experience in the financial field, but particularly by reason of the valuable experience gained by them during the war in the administration of the V- and T-Loan programs for guaranteeing war production and contract termination loans.

"The reasons for the Board's support of this bill were more fully explained in a statement which was enclosed with my letter to you under date of January 21, 1947, with respect to this matter; and a copy of that statement is enclosed herewith for your convenient reference. For the reasons indicated above and contained in that statement, the Board of Governors hopes that your Committee will be able to give this bill its prompt and favorable consideration."

Approved unanimously.

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

"At the completion of the examination of the Federal Reserve Bank of Richmond, made as of November 30, 1946, by the Board's examiners, a copy of the report of examination was left for your information and that of the directors. A copy was also left for President Leach.

2/24/47

-5-

"The Board will appreciate advice that the report has been considered by the board of directors. Any comments you may care to offer regarding discussions with respect to the examination, or as to action taken or to be taken as a result of the examination, will also be appreciated."

Approved unanimously.

*[Handwritten Signature]*  
Secretary.

Approved:

*[Handwritten Signature]*  
Chairman.