

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, March 3, 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 28, 1947, were approved unanimously.

Minutes of the meeting of the Board of Governors of the Federal Reserve System with the Presidents of the Federal Reserve Banks held on February 28, 1947, were approved unanimously.

Memorandum dated February 27, 1947, from Mr. Carpenter recommending that the temporary appointments of Mrs. Marion H. Derr and Mrs. Dorothea B. Kelly, file clerks in the Office of the Secretary, be made permanent effective immediately.

Approved unanimously.

Memorandum dated February 25, 1947, from Mr. Thomas, Director of the Division of Research and Statistics, recommending the appointment of Ernest C. Olson as an economist in that Division, on a temporary indefinite basis, with basic salary at the rate of \$4,525.80 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. Olson was a member of the Civil Service Retirement System and would remain in that system.

3/3/47

-2-

Approved unanimously.

Memorandum dated February 28, 1947, from Mr. Leonard, Director of the Division of Examinations, recommending that the resignation of Miss Virginia E. Wells, a clerk-typist in that Division, be accepted to be effective, in accordance with her request, at the close of business February 28, 1947, with the understanding that a lump sum payment would be made for annual leave remaining to her credit as of that date.

Approved unanimously.

Memorandum dated February 28, 1947, from Mr. Bethea, Director of the Division of Administrative Services, recommending that the resignation of Barry M. White, a laborer in that Division, be accepted to be effective, in accordance with his request, at the close of business February 27, 1947, with the understanding that a lump sum payment would be made for annual leave remaining to his credit as of that date.

Approved unanimously.

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

"In accordance with the request contained in your letter of February 19, 1947, the Board approves the appointment of John Vandermark, Jr. as an assistant examiner for the Federal Reserve Bank of San Francisco. Please advise us as to the salary rate and the date upon which the appointment becomes effective."

3/3/47

-3-

Approved unanimously.

Letter to the Federal Deposit Insurance Corporation

reading as follows:

"Pursuant to the provisions of section 12B of the Federal Reserve Act, as amended, the Board of Governors of the Federal Reserve System hereby certifies that the Jeff Davis Bank & Trust Company, Jennings, Louisiana, became a member of the Federal Reserve System on February 26, 1947, and is now a member of the System. The Board of Governors of the Federal Reserve System further hereby certifies that, in connection with the admission of such bank to membership in the Federal Reserve System, consideration was given to the following factors enumerated in subsection (g) of section 12B of the Federal Reserve Act:

1. The financial history and condition of the bank,
2. The adequacy of its capital structure,
3. Its future earnings prospects,
4. The general character of its management,
5. The convenience and needs of the community to be served by the bank, and
6. Whether or not its corporate powers are consistent with the purposes of section 12B of the Federal Reserve Act."

Approved unanimously.

Letter to Mr. Robert D. L'Heureux, Legal Consultant,

Committee on Banking and Currency, United States Senate, reading

as follows:

"This is in response to your letter of February 4, 1947, to Chairman Eccles requesting an opinion as to the advisability of retaining, amending or terminating certain laws which you specify in your letter. The statutes in question are those contained in section 5(b) of the Trading with the Enemy Act, as

3/3/47

-4-

"amended, in section 4 of the Act of March 9, 1933, and in the Act of April 13, 1943.

"Section 5(b) of the Trading with the Enemy Act, as amended, in the opinion of the Board, should be retained in the law. Although this section is operative only during time of war or other period of national emergency, it has been on the statute books since 1917 and it cannot now properly be considered special war or emergency legislation. It is the basis for the foreign funds control exercised by the Treasury Department and for the authority of the Alien Property Custodian; and it vests the President with other broad authority for use in time of emergency. It is presently also the basis for regulations of the Board of Governors relating to consumer credit, since authority to prescribe those regulations is derived from Executive Order No. 8843 which was issued pursuant to this statute. The Board expects at a later date to ask the Banking and Currency Committees of Congress to consider whether legislation, independent of section 5(b), should be enacted to continue authority for consumer credit regulation on a permanent basis; and the possible permanency of such authority, therefore, does not depend on section 5(b). Nevertheless, it is the Board's view that, because of the other broad powers given by the section and the important operations carried on under it, it is important that the section be permitted to continue in effect.

"Section 4 of the Act of March 9, 1933, the so-called Emergency Banking Act, provides in effect that during such emergency period as the President may prescribe no member bank of the Federal Reserve System shall transact any banking business except to the extent permitted by regulations of the Secretary of the Treasury with the approval of the President. Although the emergency period proclaimed by the President on March 6, and March 9, 1933, at the time of the Bank Holiday, has never been terminated by specific action of the President, the Secretary of the Treasury about a year ago issued a general license authorizing the transaction of a normal banking business by all new member banks.

3/3/47

-5-

"Member banks existing prior to that time had been given individual licenses to carry on banking business. As a practical matter, therefore, section 4 of the Act of March 9, 1933, has fully served its purpose.

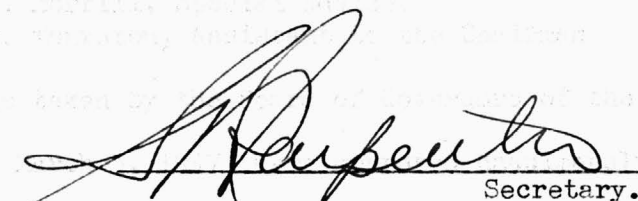
"The Act of April 13, 1943, provided that, until six months after the cessation of hostilities as determined by proclamation of the President or concurrent resolution of Congress, so-called war loan deposit accounts arising from subscriptions to United States Government securities should not be subject to reserve requirements on the books of member banks or subject to assessments for Federal Deposit Insurance Corporation insurance on the books of insured banks. The President issued a Proclamation on December 31, 1946, declaring the cessation of hostilities, and as a result these provisions of the law will automatically terminate on June 30, 1947. The exemption of war loan deposits from reserve requirements was strictly a wartime measure designed to facilitate the Government's huge financing program during the war and the need for the exemption no longer exists. Accordingly, in the Board's opinion, no legislation on this subject is now needed.

"There is one additional statute which we would like to mention in this connection. The existing authority for the purchase of Government securities by the Federal Reserve Banks directly from the United States, subject to the limitation that the amount of securities so purchased and held by the Federal Reserve Banks shall not exceed \$5,000,000,000, is contained in a proviso which was added to section 14(b) of the Federal Reserve Act by Title IV of the Second War Powers Act. It will expire on March 31, 1947, or such earlier date as may be designated by the Congress or the President. Until 1935 there was no limitation upon the authority of the Federal Reserve Banks to make such direct purchases of Government securities. While it has been used only occasionally, the authority has proven to be a useful and convenient mechanism to facilitate Treasury operations and to effect temporary adjustments in the money market.

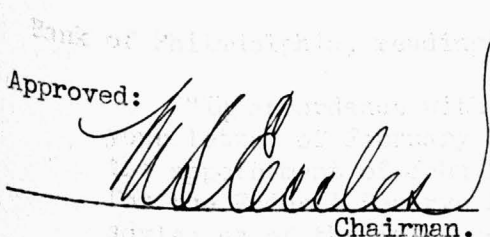
3/3/47

"Accordingly, the Board on February 13, 1947, recommended to the Chairmen of the Banking and Currency Committees of the Senate and House the enactment of legislation making permanent this authority for direct purchases from the United States."

Approved unanimously.

  
Secretary.

Approved:

  
Chairman.