

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, October 16, 1947.

PRESENT: Mr. Eccles, Chairman
Mr. Szymczak
Mr. Evans
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 October 15, 1947, were approved unanimously.

Telegram to Mr. Gilbert, President of the Federal Reserve Bank of Dallas, 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 "First State Bank of Green's Bayou", Houston, Texas, 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 Dallas. 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

10/16/47

-2-

telegram contained the following additional statement:

"Although Articles of Incorporation state that bank shall be located at the City of Houston, it is understood that bank will be situated outside corporate limits of Houston in unincorporated community of Green's Bayou. On this basis bank is eligible for membership with capital of \$50,000."

Approved unanimously.

Letter to Mr. H. P. Von Nostitz, 371 Carlton Avenue, Brooklyn, New York, reading as follows:

"This is with reference to your letter of October 1 to Chairman Eccles regarding the Board's regulation of security loans, and other matters relating to the stock markets.

"The rule against switching in margin accounts, which is provided in section 3 of the Board's Regulation T, is in our opinion an important feature helping to reduce the inflationary use of credit in purchasing securities. If this rule were not in effect, speculators could and would purchase and sell securities over and over again on the same borrowed money. Also, the rule assures that holders of old margin accounts do not have an undue advantage over customers just entering the market, who must put up a 75 per cent margin on their commitments.

"The Board feels that the present margin requirement of 75 per cent is proper at this time of strong inflationary pressures. The money supply of the country is already excessive in relation to the supply of goods that can be bought. To make credit easier for speculators in stocks would not increase the supply of goods and would make the present inflationary situation still more inflationary.

"About the reporting of short sales on the ticker and stock holdings of company officers, to which you refer: the Board does not have authority over these matters. It is directed,

10/16/47

-3-

"under the Securities Exchange Act of 1934, to prescribe margin requirements for the purpose of preventing excessive use of credit for the purchase or carrying of securities."

Approved unanimously.

Letter to Mr. Paris, Vice President and Manager of the New Orleans Branch, Federal Reserve Bank of Atlanta, reading as follows:

"Your letter of October 9 regarding the most recent Regulation W investigation of the Louisiana Furniture Company has been received and is under consideration. It is suggested that you take no action regarding the matter until you hear further from the Board."

Approved unanimously.

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

"This refers to your letters of September 20 and October 4, 1947, requesting the Board's approval of preliminary plans for the construction of a building to house the Portland Branch and for an addition to the Los Angeles Branch building, also for authority to take the necessary steps to proceed with the construction of such buildings.

"It is understood from your letter of October 4 that the estimated cost of the building at Portland given in the September 20 letter as \$3,638,000, of which \$1,665,000 represents the cost of the building proper, did not include \$150,000 for cost of extra steel and foundations desired so as to provide for additional stories in the future, if needed. The cost of the addition to the Los Angeles building is estimated at \$2,238,061, of which \$791,858 is for the building proper.

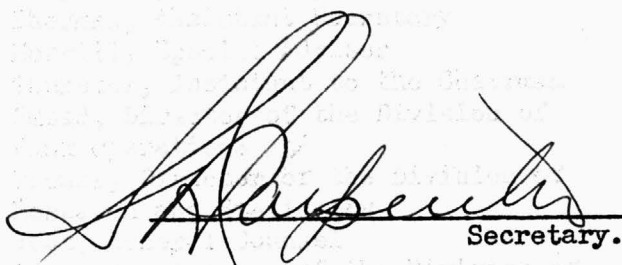
"On the basis of these preliminary plans and estimates, the Board authorizes your Bank to have the final plans and specifications for these buildings prepared and to obtain bids for their construction.

10/16/47

-4-

"The final plans for the buildings, together with a copy in detail of the bids it is proposed to accept, should be submitted to the Board for approval. In submitting these bids, it will be appreciated if the figures are broken down to show separately the cost of the building proper in each case, and the basis used in determining the portion of the total cost which is for the building proper."

Approved unanimously.


Secretary.

Approved:


Chairman.