

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, March 18, 1941, at 11:30 a.m.

PRESENT: Mr. Eccles, Chairman
Mr. Ransom, Vice Chairman
Mr. Szymczak
Mr. McKee
Mr. Davis
Mr. Draper

Mr. Morrill, Secretary
Mr. Carpenter, Assistant Secretary
Mr. Clayton, Assistant to the Chairman

The action stated with respect to each of the matters herein after referred to was taken by the Board:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on March 15, 1941, were approved unanimously.

Letter to Mr. Young, President of the Federal Reserve Bank of Chicago, reading as follows:

"In accordance with the request contained in Mr. Diercks' letter of March 15, the Board approves the appointment of Elbert O. Fults as an assistant examiner for the Federal Reserve Bank of Chicago. Please advise us of the effective date."

Approved unanimously.

Letter to Honorable Preston Delano, Comptroller of the Currency, reading as follows:

"This refers to Mr. Gough's letter of October 7, 1940 which sets forth certain tentative conclusions of your office with respect to the existence of affiliate relationships where corporate stock is pledged with

3/18/41

-2-

"member banks to secure loans made by them. A reply has been delayed pending receipt of advice as to the views of Counsel for the Federal Reserve Bank of Chicago, in whose district the case prompting your inquiry arose, and the discussion of the opinion of Counsel for that bank with Mr. Roberts of your office.

"The Board concurs in the tentative conclusions expressed in Mr. Gough's letter, which are to the effect --

1. That where more than 51 per cent of the stock of a corporation is taken as security for a loan and the bank has the right under a collateral agreement to have the stock transferred to its name and vote it, an affiliate relationship exists;

2. That if the right of the bank to vote the stock can not be exercised prior to default by the borrower, an affiliate relationship would not exist under the collateral agreement prior to such default; and

3. That where the Reconstruction Finance Corporation, through an agreement with the bank with respect to participation in the loan, has the right to have the stock transferred to it and vote it, an affiliate relationship does not exist under the collateral agreement.

"With respect to the last conclusion, it would necessarily follow that if in similar circumstances a Federal Reserve Bank, under an agreement with respect to participation in the loan pursuant to section 13b of the Federal Reserve Act, has the right to have the stock transferred to it and vote it, an affiliate relationship would not exist.

"It is felt that under the provisions of the statutes relating to affiliates of member banks these conclusions are unavoidable. In acting on the questions presented, the Board has been concerned as to whether the rulings might discourage or prevent banks from making proper loans, especially in connection with national defense. However, in view of the different ways in which loans of the kind under discussion can be handled under the foregoing rulings, it is not believed that the position of the Board and your office should cause undue difficulty. It is assumed that in any case where an examiner has any doubt as to whether these rulings are applicable he will fully inform the bank as to the basis for the position of the Board and your office and,

3/18/41

-3-

"before requiring any action by the bank involved, will consult with your office, or the appropriate Federal Reserve Bank if a State member bank is involved."

Approved unanimously.

Letter dated March 17, 1941, to the Presidents of all Federal Reserve Banks, reading as follows:

"Under separate cover we are sending you two copies of the new edition of the Federal Reserve Chart Book containing charts on bank credit, money rates, and business. Copies have also been sent to your Research Department. Additional copies for the use of the Bank's staff may be procured upon request.

"We are arranging to sell single copies of the new Chart Book at 50 cents, the same price as before, and to charge 45 cents a copy in quantities of 10 or more. Since the Chart Book has already proved to be of considerable use in classrooms, we are sending a descriptive letter, a copy of which is enclosed, to the economics faculties of about 150 colleges and universities throughout the country. This letter, as you will see, describes not only the present Chart Book but also the Industrial Production Chart Book and mentions the availability of the Bulletin and of the System booklet for classroom use.

"It is deemed desirable to secure as wide a use of the Chart Book as possible on the basis of its merit and usefulness and not through complimentary distribution. The prices at which the Chart Books are sold either singly or in quantity barely cover the direct costs. Copies are available free to members of the staff of the Federal Reserve Banks, to Government Departments, to members of the State Banking Departments, and to the Economics Departments of colleges and universities.

"It appears doubtful if the Chart Book would be of interest to more than a relatively small number of member banks and the intention is to make a charge to member banks for copies ordered by them. However, should you desire to distribute copies to some of your member banks at your own expense it is not felt that this would be in conflict with the Board's policy."

Approved unanimously. The letter to colleges and universities referred to in the above letter, read as follows:

3/18/41

-4-

"The Board of Governors publishes two Chart Books which appear to be useful in economics classes, and a large number of requests are being received for information as to their availability and price.

Chart Book I, FEDERAL RESERVE CHARTS ON BANK CREDIT, MONEY RATES, AND BUSINESS, has been

brought out recently in a new and enlarged edition (February 1941). It contains 72 pages of charts, dealing with bank reserves, gold, and currency; deposits, loans, and investments; money rates and securities; wholesale prices, production, employment, national income, etc. Space is left blank for plotting data from 1940 through 1942. In each issue of the Federal Reserve Bulletin, the current data for the charts are presented in a table entitled 'Statistics for Federal Reserve Chart Book -- Current Series'.

The price of this Chart Book is 50 cents per copy, postage free; in quantities of 10 or more to bookstores and groups of students, 45 cents per copy, postage free.

Chart Book II, FEDERAL RESERVE CHARTS ON INDUSTRIAL PRODUCTION, (published in October 1940)

contains 224 pages of charts, dealing with activity in manufacturing and mining as a whole, in 33 groups of industries, and in 81 separate lines of industry. Space is left blank for plotting data from 1940 through 1946. In each issue of the Federal Reserve Bulletin, the current data for the charts will be found in a table entitled 'Industrial Production by Industries'.

The price of this Chart Book is \$1 per copy, postage free; in quantities of 10 or more to bookstores and groups of students, 85 cents per copy, postage free.

"Quantities of either Chart Book ordered for students can be sent only to the department of economics or other single address. The quantity price, which barely covers the cost of printing, does not hold on orders for individual copies to be sent to separate addresses.

"These two publications are for sale--not for free distribution. We shall be glad, however, to send a complimentary copy to any member of your department who may

3/18/41

-5-

"be interested in using the publications for instructional purposes. If you wish such copies, please send us the names of the members of your department for whose use the publications are intended and indicate in each case the publications to be sent them.

"The Federal Reserve Bulletin is also available for classroom use. Group subscriptions of ten or more sent to one address will be accepted at 15 cents per copy per month, or for twelve months at \$1.50 per subscription. Reduced rates previously quoted for group subscriptions have been discontinued.

"Among other publications of the Board, the booklet entitled The Federal Reserve System--Its Purposes and Functions, first published in 1939, is also being widely used for instructional purposes, and we presume that use is being made of it in your department or that at any rate you have knowledge of it. Copies in paper covers may be procured by you without charge either for distribution to your students or for placement in your Library. In cloth binding, copies are 50 cents each, singly, or 25 cents in quantities of 10 or more."

Memorandum dated March 15, 1941, from Mr. Wingfield, Assistant General Counsel, recommending that there be published in the April issue of the Federal Reserve Bulletin statements in the form attached to the memorandum with respect to the following subjects:

Limitations on the Acquisition by Member
Banks of Claims Assigned under Emergency
Plant Facilities Contracts;

Executive Orders and Regulations on Trans-
fers of Property of Bulgaria and Hungary;
and

General Licenses Issued by the Secretary
of the Treasury.

Approved unanimously.

3/18/41

-6-

Thereupon the meeting adjourned.

Charles Morley
Secretary.

Approved:

W. S. ...
Chairman.