

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, April 1, 1941, at 11:00 a.m.

PRESENT: 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  
Mr. Thurston, Special Assistant to the Chairman  
Mr. Goldenweiser, Director of the Division of Research and Statistics  
Mr. Smead, Chief of the Division of Bank Operations  
Mr. Paulger, Chief of the Division of Examinations  
Mr. Parry, Chief of the Division of Security Loans  
Mr. Dreibelbis, Assistant General Counsel  
Mr. Bonnar Brown, Special Assistant in the Division of Security Loans

Mr. Szymczak read a letter dated March 28, 1941, from Mr. Young, President of the Federal Reserve Bank of Chicago, transmitting a copy of the minutes of a meeting of the board of directors held on March 27, in which was set forth certain actions by the directors with respect to salaries of officers at the Bank.

The various actions were discussed and upon motion by Mr. Szymczak it was voted that Mr. Young be advised by letter as follows:

"Your letter of March 28, 1941, with which you enclosed a copy of the minutes of the meeting of the board of directors of your bank on March 27, 1941, was presented

4/1/41

-2-

"at the meeting of the Board of Governors this morning. It is noted that your directors have approved a salary at the rate of \$30,000 per annum for you as President of the bank and it is understood this action was taken pursuant to the statement contained in the Board's letter of March 14, 1941, to Mr. Lewis, that the Board approves a salary at the rate of \$30,000 per annum for you for the period from March 1, 1941, to March 31, 1942, if fixed by your directors at that rate. The Board has also noted the request of your directors that further consideration be given to the previous recommendation that your salary be fixed at \$35,000 per annum. This matter was given careful consideration by the Board before its letter of March 14 was written and it does not believe it would be justified in departing from the position that the salary of the President of the Federal Reserve Bank of Chicago should not exceed \$30,000 per annum.

"Other salaries fixed by your directors for the period from April 1, 1941, to March 31, 1942, inclusive, have been approved by the Board as follows:

<u>Name</u>	<u>Title</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
Allan M. Black	Assistant Vice President	\$7,000	\$8,000
Neil B. Dawes	Assistant Cashier	7,500	8,000

"The Board has also approved a salary at the rate of \$15,000 per annum for Frank D. Williams as Vice President of the bank for the period from the date of the commencement of his service as Vice President to March 31, 1942, inclusive.

"As you know, the Balderston report will be the subject of discussion at the meeting of the Conference of Chairmen of the Federal Reserve Banks on April 26 and 27, 1941. In order to afford the Board of Governors an opportunity to consider further salary changes at the Federal Reserve Bank of Chicago in the light of discussions at that conference, as well as in the light of the further recommendations to be made by you, the Board approves, for the period from April 1 to May 31, 1941, salaries at the rates now in effect for the remaining officers of your bank if fixed by your directors at such rates for that period. This action, of course, does not apply to the salaries of the President and First Vice President of the bank which have already been acted upon by the Board of Governors.

"It is understood that the action taken by your directors with respect to the separation allowance for Mr.

4/1/41

-3-

"Snyder contemplated a payment to him of \$6,000 under the authority contained in the Board's letter of June 24, 1937 (S-7), and that, therefore, no further action is required by the Board."

With respect to the salary at the rate of \$15,000 per annum for Frank D. Williams as Vice President of the Bank, Mr. Ransom voted "no".

In connection with the above action Mr. Szymczak stated that Mr. Young planned to come to Washington in the near future to discuss with Mr. McKee the question of supervision of the examination department of the Bank.

Mr. Ransom stated that, for the purpose of furnishing a basis for discussion and the establishment of certain basic principles upon which consideration could be given to the problem of credit controls in the field of consumer credit, he desired to present a draft of resolution which he proposed to offer with the understanding that, if a decision were reached along the lines of the resolution or any revision thereof, the whole matter would be subject to reconsideration upon the return of Chairman Eccles in the event he felt such reconsideration was desirable. The draft of resolution was read as well as an outline of a program for control by the Board of Governors of installment credit which had been prepared by Messrs. Parry and Dreibelbis in the following form subsequent to the meeting of the Board on March 28, 1941:

- "1. There are two possible ways of going about it -- by Executive Order or by new legislation. . . The former (which is herein assumed) would probably be

4/1/41

-4-

"quicker and would probably be adequate for the present.\* . . . The latter could be so planned as to make the control somewhat more effective and equitable.

- "2. Acting under the Executive Order, Board would issue regulations from time to time relating to the extension of instalment credit by banks, finance companies, etc., for the purpose of purchasing durable consumers' goods and secured by the good purchased.
- "3. Start with automobiles -- deferring refrigerators, etc. (And certainly letting housing wait.)
- "4. Let initial terms, to be tightened later, be as follows: minimum down payment,      \*\* per cent; maximum length of contract,      \*\* months.
- "5. First regulation, covering 'banking institutions' as broadly defined, would forbid them (after effective date) to make substandard loans of this description directly to consumers. . . Also to make loans to anybody on substandard paper of this description . . . Also to purchase any such substandard paper.

Regulation would contain necessary definitions (such as base to be used in calculating down payment), necessary exemptions (such as commercial vehicles) etc., etc.

- "6. Time table: Issue of Executive Order and first regulation should probably be simultaneous. . . Staff could present draft of Executive Order within      days and draft of first regulation (after necessary consultations with the industry) within      weeks.

---

\* Executive Order would issue under emergency powers over 'banking institutions' granted to the President by Trading with the Enemy Act, as amended. . . Previous Executive Orders under this act (licensing banks; control of frozen funds) have designated Treasury. Designation of Board in this instance would -- (1) follow precedent set in 1934 when Congress designated Board to administer similar instrument of control in another field (margin requirements on security loans); (2) utilize experience of Board and System in developing mechanism for applying that instrument; and (3) avoid possible embarrassment to Treasury if it were itself laying down restrictions on the extension

4/1/41

-5-

"of bank credit and curtailing demand for the products of large corporate taxpayers.

\*\* These figures cannot be determined until we know, among other things, how fast OPM wants to reduce production of new cars and by how much. . . Possible figures might be, to start with, 33-1/3% (or 40%) and 18, 15, or 12 months."

There followed a discussion of some of the details of the program and of problems which would have to be considered if it were put into effect. There was also a discussion of the resolution referred to by Mr. Ransom at the conclusion of which Mr. Ransom suggested the adoption of the resolution in the following form:

"It is advisable to apply credit controls in the field of consumer instalment sales. In principle, we think that any mechanism of credit control which may be established should be vested in the Federal Reserve System. To this end the senior staff is requested to report not later than Friday of this week a proposal which would accomplish these objectives and, when and if such proposal or modification thereof is approved by the Board, the Chairman will be requested to communicate with the Administration with the object of obtaining approval of such proposal and to take such further steps as may be necessary to put it into operation."

In response to an inquiry as to the necessity for the adoption of any resolution at this time Mr. Ransom stated he felt it was desirable for the Board to decide, before asking the staff to devote the time which would be necessary in order to work out the details of the plan, whether it seems advisable to establish controls of consumer credit and whether the mechanism for establishing such controls should be placed in the Federal Reserve System. He said that if these points were decided in the affirmative it would be possible to proceed with

4/1/41

-6-

the consideration of the mechanism by which effective controls could be established and that if either of them were decided in the negative there would be no point in the Board giving further consideration to the matter. Mr. Ransom added that it was not his intention that the adoption of the resolution be regarded as preventing its reconsideration at any time or as an approval in advance of any plan that might be considered. Mr. Davis raised a question whether the resolution should be adopted until it had been determined by the Board whether a satisfactory program could be worked out and Mr. McKee said he would prefer not to act on the resolution until there had been further discussion.

At the conclusion of the discussion the resolution offered by Mr. Ransom was approved, Mr. McKee not voting.

At this point Messrs. Goldenweiser, Smead, Paulger, Parry, Dreibelbis, and Brown left the meeting.

Mr. Ransom then presented the following draft of letter to Harold D. Smith, Director of the Budget:

"On January 31, 1941 Mr. Blanford, Acting Director of the Budget, addressed a letter to Chairman Marriner S. Eccles of the Board of Governors of the Federal Reserve System, enclosing a copy of a letter addressed to the Secretary of State advising that there would be no objection to the submission to the Banking and Currency Committee of the Senate of a favorable report on S. 390, 'A Bill relating to foreign accounts in Federal Reserve Banks and insured banks'.

"The enactment of this bill has been recommended by the Secretary of State, the Secretary of the Treasury and the Board of Governors of the Federal Reserve System; and

4/1/41

-7-

"the bill in the exact form as so recommended and as cleared by your office passed the Senate on March 27 and the House of Representatives on March 31, 1941 and probably will be submitted to the President for approval within the next few days.

"In the absence of Chairman Eccles, I wish to advise you that the Board of Governors of the Federal Reserve System recommends the approval of the bill S. 390."

Approved unanimously.

Messrs. Clayton and Thurston withdrew from the room at this point.

Mr. Szymczak stated that following an informal discussion by the members of the Board on March 22, 1941, he advised Mr. Sproul, President of the Federal Reserve Bank of New York, that the members of the Board felt that action should be deferred, until after the forthcoming Conference of Chairmen of the Federal Reserve Banks on April 26-27, 1941, when the Balderston report will be discussed, on increases in salaries of officers of the Federal Reserve Bank of New York as proposed in a list which Messrs. Sproul and Stevens left with Mr. Szymczak when they were in Washington recently. Subsequently, Mr. Szymczak said, Mr. Sproul telephoned to say that the board of directors of the Bank were agreeable to deferring action on some of the proposed increases but felt that, as a matter of good internal organization, the following adjustments in the salaries of junior officers should be made as of April 1, 1941:



4/1/41

-8-

<u>Name</u>	<u>Title</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
Dudley H. Barrows	Manager, Cash Department	\$9,000	\$9,500
Felix T. Davis	Manager, Check Department	7,200	7,700
Norman P. Davis	Manager, Foreign Property Control Dept. and Se- curity Loans Department	7,000	8,000
Edward O. Douglas	Manager, Personnel Department	8,000	8,500
Marcus A. Harris	Manager, Securities Department	5,000	5,500
Robert F. McMurray	Manager, Safekeeping Department	8,000	8,500
Horace L. Sanford	Manager, Research Department, Press and Circulars (Sec- retary of Bank)	7,500	8,000
Insley B. Smith	Manager, Bank Relations Department	6,000	6,500
Chas. N. Van Houten	Manager, Security Custody Department	7,500	8,000
Wm. F. Treiber	Assistant Counsel (and Assistant Secretary of Bank)	7,200	7,800
Harold A. Bilby	Assistant General Auditor	6,000	7,000

Upon motion by Mr. Szymczak, the above salaries were approved for the period from April 1, 1941, to March 31, 1942, inclusive.

Mr. Szymczak also moved that the Board advise the New York Bank that it approves for the period from April 1, to May 31, 1941, the salaries of the remaining officers of the Bank (exclusive of the President and First Vice President whose salaries had already been approved) at the rates in effect on March 31, 1941, if fixed by the directors at those rates with the understanding that before June 1 of this year the remaining salary increases proposed by the directors will be considered by the Board of Governors in the light of the discussions of the Balderston report at and following the



4/1/41

-9-

Conference of Chairmen of the Federal Reserve Banks on April 26-27, 1941.

Mr. Szymczak's motion was put by the chair and carried unanimously.

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on March 31, 1941, were approved unanimously.

Thereupon the meeting adjourned.

Chester Morrie  
Secretary.

Approved:

Donald H. Anderson  
Vice Chairman.