

A meeting of the Board of Governors of the Federal Reserve System with the Presidents of the Federal Reserve Banks was held in Washington on Wednesday, June 11, 1941, at 2:35 p.m.

PRESENT: Mr. Eccles, Chairman  
Mr. Ransom, Vice Chairman  
Mr. Szymczak  
Mr. McKee  
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. Wyatt, General Counsel  
Mr. Dreibelbis, Assistant General Counsel

Messrs. Roy A. Young, Sproul, Sinclair, Fleming, Leach, McLarin, C. S. Young, Davis, Peyton, Gilbert, and Day, Presidents of the Federal Reserve Banks of Boston, New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Dallas, and San Francisco, respectively

Mr. Leedy, First Vice President of the Federal Reserve Bank of Kansas City

Mr. Williams, Vice President of the Federal Reserve Bank of New York

Mr. Sienkiewicz, Secretary of the Presidents' Conference

Upon inquiry from Chairman Eccles as to whether the Presidents had anything to report in connection with the discussions at the Presidents' Conference which met this morning, Mr. Sinclair, as Chairman of the Conference, stated that a report of the actions taken by the Presidents

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would be submitted to the Board in due course in the Conference minutes, but that he wished to state at this time that consideration had been given to the question of assistance by the System in the savings bond campaign, and that a resolution had been adopted contemplating the offer to the Treasury of such assistance and authorizing the Chairman of the Conference to appoint a committee to consult with the Board of Governors on the matter. He also said that the Conference discussed the question of installment credit controls, that it was recognized that the question involved some very serious administrative problems which the Presidents agreed should be given careful consideration by them, and that it was the hope that before any action was taken by the Board the Presidents would be given an opportunity for a further discussion with the Board for the purpose of exploring the practical problems and the extent to which the controls might go.

At this point Mr. Parry, Chief of the Division of Security Loans entered the room.

Chairman Eccles outlined for the confidential information of the Presidents the status of the Board's plans for the construction of the addition to its present building and the circumstances which influenced the decision of the Board to proceed with the preparation of contract plans and specifications for the addition. During the ensuing discussion architect's sketches of the elevations of the addition were brought into the room and exhibited to the Presidents. In response to an inquiry from Mr. Sinclair as to whether, if other banking

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agencies should occupy space in the addition they would pay rent as tenants, Chairman Eccles replied that that was a matter which would have to be worked out, that there was more likelihood of such agencies occupying the space than anyone else, and that if it were so occupied it would facilitate the working out of a satisfactory program of Federal banking supervision. In connection with a discussion of the probable cost of the building, it was stated that the Architect estimated about a year ago a cost of 70 cents per cubic foot, that it was not possible to say at this time what the cost would be, and that, on the basis of 90 cents per cubic foot, the total cost would be approximately \$3,250,000, but that because of uncertainties in materials and labor it might cost more than that. In a further discussion reference was made by members of the Board to certain matters which raised some question as to the desirability of proceeding with the construction at this time, and it was made clear that the final decision to erect the addition had not yet been made.

Mr. McKee left the meeting at this point and Mr. Smead, Chief of the Division of Bank Operations, Mr. Thomas, Assistant Director of the Division of Research and Statistics, and Mr. Cherry, Assistant Counsel, entered the room.

The first page of a memorandum dated May 23, 1941, and all of a memorandum dated June 5, 1941 on the subject of currency hoarding, both of which had been prepared by Mr. Cherry, were read. Copies of the latter, which presented reasons upon which action could be predicated to prohibit the hoarding of currency or its use in a manner

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inimical to the interests of the United States and certain steps that could be taken to accomplish such purposes, were handed to the Presidents during the meeting.

Chairman Eccles displayed a chart showing the increases in currency in circulation by denominations since 1930, and there was a discussion of the reasons for such increases and their possible effects on the monetary system. There were also distributed copies of a memorandum and chart prepared in the Division of Research and Statistics under date of June 10, relating to estimates of active and inactive currency, from which it appeared that inactive currency outstanding at the present time amounted to somewhere in the neighborhood of \$2,500,000,000.

Chairman Eccles stated that steps should be taken to prevent the hoarding of currency, that the System should be prepared to take the matter up with the Treasury or the President, and that the question of the use of currency for subversive purposes should probably be discussed with the Treasury, the State Department, and the Federal Bureau of Investigation.

In connection with the latter point some of the Presidents indicated that, at the request of the Federal Bureau of Investigation, their banks were reporting to that bureau large currency withdrawals.

Mr. Szymczak inquired whether there was a committee of the Presidents' Conference that could give further consideration to the matter in consultation with representatives of the Board, and Mr. Sinclair stated that the committee to be appointed to confer with

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the Board in connection with the savings bond campaign could also consult on the question of currency hoarding.

There was a discussion of this suggestion at the conclusion of which Mr. Draper moved that a committee consisting of two Presidents and a member of the Board be appointed to study the question of currency hoarding and the use of currency for subversive purposes, and to submit definite recommendations at the next meeting of the Presidents with the Board, it being understood, however, that in the interim the committee would have authority to consult with the Treasury or any other agency to the extent that such consultation might seem necessary or desirable.

This motion was put by the Chair and carried by the unanimous vote of the members of the Board and the Presidents.

Mr. Sinclair stated that he would appoint Messrs. Sproul and Leach, who would be in Washington from time to time in connection with open market matters, as representatives of the Presidents' Conference on the committee.

Mr. Sinclair also suggested that the Presidents quietly and without publicity obtain such information as they could in their respective districts with respect to hoarding and the use of currency for subversive purposes and send that information to the new committee. All of the Presidents indicated that they would comply with this suggestion.

Further reference was made to the question of installment credit controls, and Mr. Sinclair stated that the Presidents did not know how



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far it was contemplated that these controls would be extended and that if some memorandum on the matter could be made available to the Presidents it would be helpful to them as a basis for their thinking on the subject.

Chairman Eccles reviewed the consideration which had been given by the Board and members of its staff to this matter, and to some of the questions that had been studied in connection with it. He also stated that it appeared from the studies that had been made that the controls could be made effective at least to an extent that would make them worth while, and that the problem of policing was not as difficult as had been reported in some quarters. He added that the matter was still in the discussion stage, that a draft of program was in process of formulation by staff representatives of the Board of Governors and the Office of Price Administration and Civilian Supply, and that, therefore, there were no memoranda or other documents available which could be given to the Presidents. He made the further statement that it might not be possible to consult with the Federal Reserve Banks before an executive order was issued by the President, but that if such an order were issued and authority were given to the Board, no action would be taken by it without affording the Federal Reserve Banks an opportunity to confer with the Board, and for the Reserve Banks and outside interested parties to submit their comments and suggestions. He added that the Board was fully aware that in order to be successful the controls would have to have the cooperation of

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financing concerns and the complete understanding of the Federal Reserve Banks and their branches as it would be largely their responsibility to administer the controls in the field.

Mr. Ransom stated that he was convinced that some action was going to be taken in this field in the near future to authorize the Federal Reserve System or some other agency to administer these controls, that if the controls were to be applied the authority should be placed in the hands of the System, and that the System should undertake the task, notwithstanding the fact that it would not be an easy one.

Mr. Parry stated that a situation might arise in which an executive order would be issued suddenly and a regulation would have to be formulated and issued in a relatively short time, and that, therefore, it might be well for each of the Presidents to designate someone at his Bank to study the situation and be familiar with it.

Mr. Day inquired whether a draft of regulation could not be written at this time and made available to the Federal Reserve Banks for study, and Mr. Parry responded with the statement that although he hoped to have available within a short time for presentation to the Board the language of an executive order that would be satisfactory to the staff of the Board and of the Office of Price Administration and Civilian Supply, the discussions had not reached a point where the drafting of a regulation would be advisable. He added that at the proper time he would like to have a conference in Washington of staff repre-

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sentatives of the Federal Reserve Banks, which he believed would be the most expeditious way of informing the Banks fully of developments.

Mr. Young of Boston suggested it would be helpful if Mr. Parry could make a statement as to the principal features of the program as at present contemplated, and Chairman Eccles suggested that those who wished to hear such a statement might remain and that the others could be excused.

Thereupon Messrs. Eccles, Szymczak, Draper, Davis, Day, Goldenweiser and Cherry withdrew from the meeting, and Mr. Parry made an informal statement relating to the scope of the contemplated installment credit controls, the institutions and commodities to which they might be applied, and the manner of their application and enforcement.

Thereupon the meeting adjourned.

Chester Morrie  
Secretary.

Approved:

W. A. R. Eccles  
Chairman.