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A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, June 13, 1941, at 10:50 a.m.

PRESENT: Mr. Eccles, Chairman
Mr. Szymczak
Mr. McKee

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:

Telegrams to Mr. Paddock, First Vice President of the Federal Reserve Bank of Boston, Mr. Sanford, Secretary of the Federal Reserve Bank of New York, Mr. Walden, First Vice President of the Federal Reserve Bank of Richmond, Messrs. McCravey and Stewart, Secretaries of the Federal Reserve Banks of Atlanta and St. Louis, respectively, Mr. Ziemer, Vice President of the Federal Reserve Bank of Minneapolis, Mr. Caldwell, Chairman of the Federal Reserve Bank of Kansas City, Mr. Stroud, First Vice President of the Federal Reserve Bank of Dallas, and Mr. Hale, Secretary of the Federal Reserve Bank of San Francisco, stating that the Board approves the establishment without change by the Federal Reserve Banks of Kansas City and San Francisco on June 10, by the Federal Reserve Banks of New York, Richmond, Atlanta, St. Louis, Minneapolis, and Dallas on June 12, 1941, and by the Federal Reserve Bank of Boston today, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Memorandum dated June 11, 1941, from Mr. Goldenweiser, Director

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of the Division of Research and Statistics, referring to the action taken by the Board on June 4, 1941, in accepting the resignation of George W. Terborgh, a senior economist in that Division, effective as of the close of business July 15, 1941, and recommending, for the reason stated in the memorandum, that the acceptance of the resignation be as of the close of business on July 22, 1941.

The action of the Board on June 4 was rescinded and the resignation was accepted as of the close of business on July 22, 1941.

Memorandum dated June 10, 1941, from Mr. Smead, Chief of the Division of Bank Operations, recommending, with the concurrence of Mr. Paulger, Chief of the Division of Examinations, that Gerald M. Conkling, Federal Reserve Examiner in the Division of Examinations, be transferred to the Division of Bank Operations as a Technical Assistant, with salary at the rate of \$4,800 per annum.

Approved unanimously, effective as of June 16, 1941.

Memorandum dated June 13, 1941, from Mr. Nelson, Assistant Secretary, submitting the recommendation of Chairman Eccles that Miss Charlotte N. Mitchell, a stenographer in the Office of the Secretary, be transferred to the Office of Chairman Eccles in the Board Members' Section, with salary at the rate of \$1,800 per annum, effective as of June 16, 1941.

Approved unanimously.

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Memorandum dated June 9, 1941, from Mr. Goldenweiser, Director of the Division of Research and Statistics, submitting and recommending acceptance of the resignation of Miss Lottie Kriegel, a clerk-stenographer in that Division, to become effective at the end of her accumulated and accrued annual leave, a period of approximately 42 days. The memorandum stated that Miss Kriegel's leave began on June 9, 1941.

The resignation was accepted.

Letter to Mr. Knoke, Vice President of the Federal Reserve Bank of New York, reading as follows:

"Receipt is acknowledged of your letter of June 7, 1941, in which you advise that, because of the resignation of one employee and the calling into military service of another employee in your Foreign Research Division, you will not be able to spare a man from that Division for a visit to the Banco Central de la Republica Argentina under a plan being worked out with that bank for an exchange of staff members but that you are canvassing some of the other departments of your bank for a man who could be sent with benefit to him and to the Federal Reserve Bank of New York. It is noted that, because of the desire of the central bank of Argentina to have an employee from that institution in New York early in July, you propose to advise the bank of the delay in your plans and to suggest that the bank proceed with its arrangements to have its employees begin their visit as planned.

"This arrangement is satisfactory to the Board and when your own plans for sending an employee to Argentina have taken definite form, the Board will be glad to give them consideration."

Approved unanimously.

Letter to Mr. Lassiter, Chairman of the Federal Reserve Bank of Richmond, reading as follows:

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"Referring to the Board's letter of May 29, 1941, it is not practicable for the Board to consider the proposed increase in the salary for President Leach prior to June 15, 1941. Accordingly, the payment of salary to Mr. Leach at the rate of \$21,000 per annum, pending consideration by the Board of the salary suggested by your Directors, will be satisfactory to the Board of Governors."

Approved unanimously.

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

"Referring to your letter of May 17, 1941, the salaries for certain officers of the Federal Reserve Bank of Chicago are approved by the Board of Governors for the period June 1, 1941 to March 31, 1942 at the rates fixed by your board of directors, as follows:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
W. C. Bachman	Assistant Vice President	\$ 9,500
C. B. Dunn	General Counsel	13,000
P. C. Hodge	Assistant Counsel	4,600
W. A. Hopkins	Assistant Cashier	6,500
L. G. Meyer	Assistant Cashier	7,000
O. J. Netterstrom	Assistant Vice President	9,500
A. L. Olson	Assistant Vice President and Assistant Secretary	8,500
F. L. Purrington	Assistant Cashier	7,500
C. M. Saltnes	Assistant Cashier	8,000
A. T. Sihler	Assistant Vice President	10,500
J. H. Dillard	Vice President and Secretary	14,500
J. G. Roberts	Assistant Cashier	6,750
F. A. Lindsten	Assistant Cashier	6,300
J. J. Endres	Auditor	7,000

Detroit Branch

H. J. Chalfont	Managing Director	10,000
H. L. Diehl	Assistant Cashier	5,000"

Approved unanimously.

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Letter to Mr. McLarin, President of the Federal Reserve Bank of Atlanta, reading as follows:

"Reference is made to your letter of May 23 submitting, for the Board's consideration under applicable conditions of membership, a request of the Bank of Canton, Canton, Georgia, for permission to reduce its capital.

"It is understood that the bank wishes to reduce its capital from \$150,000 to \$100,000 and to reduce the surplus likewise from \$150,000 to \$100,000, making a total reduction of \$100,000 in the two accounts, and that in connection with the reduction the bank agreed to write down the other real estate account \$10,000 and to write down the carrying value of its holdings of Canton Cotton Mills stock \$4,500.

"The Board recognizes that the bank has an unusually large capital account for the volume of its business and that the examiners have reported the bank to be in generally satisfactory condition and under capable management. Some reduction in the capital or surplus for distribution to the shareholders therefore would not be out of order; however, the amount involved in the bank's proposal represents one-third of the capital and surplus. There is also to be considered, as you point out, the fact that an unusually large percentage of the bank's total loans is predicated on the stocks of two local concerns which are not readily marketable, and the fact that the latest report of examination available is that of November 30, 1940. The Board, therefore, does not approve at this time a program which contemplates a retirement of such a large portion of the bank's total capital account.

"The Board will not object, however, to a distribution at this time to stockholders from capital and surplus of not more than \$50,000 and to that end it approves a reduction in capital in an amount up to and including \$50,000 on the condition, (1) that the total reduction in capital and surplus not exceed \$50,000, and (2) that the bank's other real estate be written down \$10,000 and its holdings of stock in the Canton Cotton Mills written down \$4,500 in accordance with the suggestion contained in your letter of May 23.

"The approval has been given in this manner in order to provide flexibility and to permit the bank to make the distribution from the capital stock or surplus account, or both, according to its own wishes, so long as the total reduction does not exceed \$50,000. Should the bank desire to

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"submit for consideration a request for further distribution of capital or surplus to stockholders, you should advise the officers in charge to defer such presentation until after the next examination. Also, please explain to the bank that, if it so desires, the entire matter can be held in abeyance and considered after the next examination."

Approved unanimously.

Letter to Honorable Henry B. Steagall, Chairman of the Banking and Currency Committee of the House of Representatives, reading as follows:

"This is in response to your letter of May 22, 1941, requesting an expression of the Board's views with regard to H.R. 2839, a bill 'To establish a permanent industrial loan corporation to assist financing institutions in making credit available to commercial and industrial enterprises'.

"This bill would terminate the present limited authority of the Federal Reserve Banks to make industrial loans and would transfer this authority in broadened and more effective form to an Industrial Loan Corporation, which would be set up by the bill as an integral part of the Federal Reserve System and would be authorized to extend financial assistance to commercial or industrial businesses. The Corporation would have as its directors the members of the Board of Governors of the Federal Reserve System and would be authorized to utilize the Federal Reserve Banks as its agents.

"Section 13b of the Federal Reserve Act now authorizes the Federal Reserve Banks to make loans and advances with maturities not exceeding five years to established industrial and commercial businesses in order to supply them with working capital. It also authorizes the Federal Reserve Banks to participate with financing institutions in making such loans and to make commitments in connection therewith.

"The requirements of the present law that such loans may be made only to provide working capital, only to established businesses, and only with maturities up to five years have made it impossible for the Federal Reserve Banks to grant credit to many worthy business enterprises, particularly in cases where additional funds are needed for expansion or improvement. Similar restrictions originally

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"contained in the law under which the Reconstruction Finance Corporation makes advances to business enterprises have been eliminated.

"The Federal Reserve System is cooperating with the Office of Production Management for the purpose of enabling business enterprises throughout the country to participate more fully in the national defense program. The Federal Reserve Banks serve as a conduit for information between small business concerns and the Office of Production Management and the War and Navy Departments, and are endeavoring to assist in the arranging of needed credit for primary contractors and subcontractors who are participating in the defense effort. There is an especial need for credit facilities for subcontractors, who, of course, have no contracts with the Government with resulting Government claims that can be assigned to the banks as security. Where possible, of course, commercial bank credit is provided, but there are some credit demands in amounts that the banks are unable to supply or of such a character that they do not feel justified in supplying them.

"This situation has emphasized the fact that the existing authority of the Reserve Banks to make industrial loans does not permit them to utilize their facilities in many cases where they are urgently needed to expedite the financing of defense activities. If the Federal Reserve System is to do effective work in the field of industrial loans, and especially in connection with the financing of defense activities, its present authority to make such loans should be liberalized and the unnecessary restrictions of the present law eliminated.

"In the opinion of the Board of Governors, the best way of accomplishing this is through the enactment of H.R. 582 (introduced by Representative Thomas F. Ford) or S. 877 (introduced by Senator Mead), which are identical bills now pending in Congress. These bills would broaden the existing authority of the Federal Reserve Banks in making industrial loans by eliminating the unnecessary restrictions now contained in section 13b of the Federal Reserve Act. In a letter addressed to the Chairman of the Senate Committee on Banking and Currency under date of April 12, 1941, the Board of Governors expressed the opinion that the law should be amended along the lines of the bill S. 877 and, for the reasons there stated, the Board hopes that your committee will give favorable consideration

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"to the bill H.R. 582. For your convenient reference there is enclosed herewith a copy of the Board's letter of April 12, 1941, in which its views on this subject are set forth."

Approved unanimously.

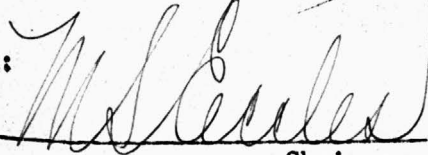
Mr. Parry, Chief of the Division of Security Loans, suggested that the Board authorize the payment of the cost of luncheons served in the Board's dining room today to Messrs. Rolf Nugent, Hubert H. Nexon, and Henry S. Reuss, all of the Office of Price Administration and Civilian Supply.

Approved unanimously.

Thereupon the meeting adjourned.


Assistant Secretary.

Approved:


Chairman.