

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, August 6, 1941, at 10:30 a.m.

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

Mr. Morrill, Secretary
Mr. Carpenter, Assistant Secretary
Mr. Wyatt, General Counsel
Mr. Goldenweiser, Director of the
Division of Research and Statistics

Messrs. Woodlief Thomas, Alvin H. Hansen, Guy Greer, Frank R. Garfield, Ray R. Foster, Victor M. Longstreet, and Roland I. Robinson, from the Division of Research and Statistics, were also present for the purpose of participating in a review of the work that had been done in that Division under Mr. Hansen's direction with respect to a possible program for housing during and after defense. Messrs. Bray Hammond and George L. Bach of the Correspondence and Publications Section of the Secretary's Office were also present for the purpose of listening to the discussion.

Mr. Hansen stated that, in addition to the work of the Canadian and United States Joint Economic Committees on post-war problems, work was being done in the Division of Research and Statistics on (1) housing and (2) coordination of Federal, State and local fiscal policies, and that the preliminary results of the work that had been done on housing were contained in five memoranda which had been prepared under the title, "Proposed Federal Program for Urban Redevelopment and

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"Housing", copies of which would be furnished to the members of the Board today. He said that the possible results of public investment in this field were somewhat analogous to those flowing from public investments in roads during the 1920's which stimulated private investment in automobiles during that period, and that in the field of urban redevelopment, which included housing, city planning, rearrangement of utilities, rebuilding of blighted and slum areas of cities, etc., there was a larger project of public expenditure opening up large outlets for private investment than in possibly any other field and that was the best form that public expenditure could take. He said that gratifying response and helpful suggestions had been received from specialists in the field of city planning who had been consulted, and that the statement had been made that the Federal Reserve System was in an excellent position to do unbiased original thinking on the entire subject and that it was encouraging that such studies were being made. He added that the National Association of Real Estate Boards had been thinking along these lines and felt that it was quite impossible for private capital to undertake the problem and that the expenditure of Federal funds was necessary to prepare the way for private enterprise. He made the further statement that, in order to carry out the program as set forth in the memoranda previously referred to, it would be necessary for Congress to set up a central agency, in which would be consolidated all the other Federal housing

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agencies, and which would have responsibility and authority to make all kinds of studies and experiments in the field of housing, housing costs, construction procedure, and city planning, etc., and that cities would have to be given authority to acquire slum and blighted areas within their boundaries which would be purchased with Federal funds and cleared and used or leased for such purposes as the approved plans for the city would require. It was contemplated, he said, that the returns from these properties would be such that the cities would be in a position to reimburse the Federal Government at least in part for the funds used to purchase the properties, but that they would not be regarded as self-liquidating projects but as civic sanitation projects from which it was hoped some part of the cost of acquisition would be returned to the Federal Government.

After a discussion of the part that housing played in private investment during the 1920's, Mr. Greer discussed in greater detail the proposed Federal program for urban redevelopment and housing as set forth in the memoranda referred to by Mr. Hansen. Copies of the memoranda have been placed in the Board's files.

During the ensuing discussion, Mr. Ransom suggested that Mr. Hansen consider what would be the most expeditious way of getting effective consideration of the program, and Mr. McKee suggested that further consideration also be given to the manner in which the public expenditures called for by the program could be repaid through the medium of

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private investment.

In response to an inquiry by Mr. Draper, Mr. Hansen stated that there was no reason why the copies of memoranda being distributed to the members of the Board should not be shown to outside parties and that, in fact, consideration of the whole matter had progressed to a point where consideration of the program by other interested parties would be desirable.

Mr. Ransom requested that Mr. Hansen arrange to present the information, which had been presented by him and Mr. Greer at the meeting this morning, to Chairman Eccles who was unable to be present at this meeting, and Mr. Hansen said that he would do so.

Question was raised as to when the next meeting should be held for the purpose of discussing other problems which are being studied in the Division of Research and Statistics under Mr. Hansen's direction and it was agreed that the next meeting for this purpose should be held on September 10, 1941.

At this point all of the members of the staff with the exception of Messrs. Morrill, Carpenter, Wyatt and Goldenweiser withdrew from the meeting.

Mr. Ransom referred to the discussions which had taken place with respect to the drafting of a regulation to be issued by the Board of Governors relating to installment credit control, pursuant to an executive order which it was contemplated would be issued by the

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President, and stated that it was now planned to have a draft of the regulation available for consideration by the Board on August 11, by representatives of the Federal Reserve Banks on August 14, and by representatives of the Federal Advisory Council, the American Bankers Association, finance companies, credit associations, and interested Government agencies on August 15, 1941.

At the request of Mr. McKee, Mr. Ransom stated that arrangements would be made to have a preliminary draft of the regulation available on Saturday for consideration by the members of the Board over the weekend.

Mr. Ransom then stated that, in accordance with the informal agreement reached by the members of the Board, Mr. Kenton R. Cravens, Vice President of the Cleveland Trust Company of Cleveland, Ohio, and Chairman of the American Bankers Association Committee on Consumer Credit, had been asked to come to Washington and had agreed to accept employment by the Board on a temporary basis for a period not to exceed sixty days from this date with the understanding that he would not be expected to remain beyond that period if he and his bank felt that he should return to Cleveland, and that if, during the period, he found that he was not in agreement with the Board's approach to the question of installment credit control he would be entirely free to terminate his services. It was contemplated, Mr. Ransom said, that his salary during his temporary employment would be at the rate of \$14,500 per annum and that, in addition, he would be allowed actual necessary travel expenses to and from

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Cleveland and a per diem of \$10.00 during the period he was in Washington.

Upon motion by Mr. Ransom, the temporary employment of Mr. Cravens on the basis outlined above, for a period of sixty days beginning August 6, 1941, was approved unanimously, with the understanding that during the period of his temporary employment he would be a member of the staff of the Division of Security Loans and that the appropriate item of the budget of that division would be increased by the amount necessary to cover Mr. Cravens' travel expenses and the per diem allowance.

Mr. Ransom stated that no announcement was being made by the Cleveland Trust Company with respect to Mr. Cravens' employment by the Board and it was agreed unanimously that no decision with respect to an announcement by the Board of Governors should be made until after the executive order relating to installment credit control was issued by the President.

Mr. Goldenweiser stated that at a meeting yesterday of the interdepartmental committee on frozen funds consideration was given to an application by the Bank of France for permission to invest \$227,000,000 of its funds now on deposit at the Federal Reserve Bank of New York in United States bills for the purpose of obtaining some small earnings on these funds. Mr. Goldenweiser said that from the viewpoint of the Government's policy relating to frozen funds there was no objection to granting the application but that, inasmuch as the investment of these funds in Government securities would add to excess reserves and to bank deposits, he felt it was a matter that should be brought to the attention of the Board so that in the event the Board wished to take a position with respect to the matter it could do so.

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It was agreed unanimously that at the meeting of the inter-departmental committee this afternoon Mr. Goldenweiser should be sure that the members of the committee clearly understood the effects of the proposed transaction on excess reserves and bank deposits and that, inasmuch as the question was one primarily for decision by the State and Treasury Departments, if there were no objection by these Departments, none should be offered by the Board.

Mr. McKee stated that Mr. Sproul as chairman of the committee appointed following the last meeting of the Presidents' Conference to study the question of currency circulation and hoarding had suggested the appointment of a subcommittee, on which a member of the Board's staff would serve, to study material contained in reports from the various Federal Reserve Banks and for other purposes related to the work of the committee, and that, in the absence of objection, he would suggest that Mr. Cherry, Assistant Counsel, be designated as a member of the subcommittee with the understanding that during any absence of Mr. Cherry Mr. Wyatt would designate someone else in Counsel's Office to serve.

Mr. McKee's suggestion was approved unanimously.

At this point Messrs. Wyatt and Goldenweiser left the meeting and the action stated with respect to each of the matters hereinafter referred to was then taken by the Board:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on August 5, 1941, were approved unanimously.

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Memorandum dated July 29, 1941, from Mr. Nelson, Assistant Secretary, recommending that Mrs. Rose Shoub Freeman be appointed as a clerk in the Correspondence and Publications Section of the Secretary's Office with salary at the rate of \$1,860 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed satisfactorily the usual physical examination.

Approved unanimously.

Memorandum dated August 4, 1941, from Mr. Nelson, Assistant Secretary, recommending that Mrs. Frederica Lockhart, clerk in the Secretary's office, be granted a leave of absence without pay of 115 days beginning September 8, 1941, with the understanding that during such period of leave she will continue to make her regular contributions to the Retirement System and that the Board will continue its contributions on her behalf during the period.

Approved unanimously.

Letter to Mr. Drinnen, First Vice President of the Federal Reserve Bank of Philadelphia, reading as follows:

"It is noted from your letter of August 2, 1941, that the Bank plans to pay Mr. Winfield W. Riefler, Class C director, who resides between 40 and 50 miles from Philadelphia, a per diem allowance of \$10 in addition to his fees for attending meetings of the board of directors and of the Executive Committee and to reimburse Mr. Riefler for his transportation expenses.

"The Board appreciates your bringing this matter to its attention, and in view of the statements contained in your letter interposes no objection to the payment of the above-

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"mentioned per diem allowance to Mr. Riefler."

Approved unanimously.

Letter to Mr. Coffey, Chairman of the Federal Reserve Bank of Minneapolis, reading as follows:

"At the completion of the examination of the Federal Reserve Bank of Minneapolis, made as of May 6, 1941, by the Board's examiners, a copy of the report of examination was left for your information and that of the directors. A copy was also furnished President Peyton.

"The report does not appear to contain any matters requiring further comment at this time. The Board will appreciate advice, however, that the report has been considered by the Board of Directors. Any comments you may care to offer regarding discussions with respect to the examination or as to action taken or to be taken as a result of the examination will also be appreciated."

Approved unanimously.

Letter to Mr. Caldwell, Chairman of the Federal Reserve Bank of Kansas City, reading as follows:

"At the completion of the examination of the Federal Reserve Bank of Kansas City, made as of May 27, 1941, by the Board's examiners, a copy of the report of examination was left for your information and that of the directors. A copy was also furnished First Vice President Leedy.

"The report does not appear to contain any matters requiring further comment at this time. The Board will appreciate advice, however, that the report has been considered by the Board of Directors. Any comments you may care to offer regarding discussions with respect to the examination or as to action taken or to be taken as a result of the examination will also be appreciated.

Approved unanimously.

Letter to the Presidents of all Federal Reserve Banks reading as follows:

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"Referring to the minutes of the Conference of Presidents held in Washington, D. C. on June 11, 1941, the Board of Governors approves the following action taken by the Presidents:

VOTED that it shall be the policy of the Federal Reserve Banks not to furnish credit information concerning individuals, partnerships, associations, and corporations (other than banks), except as follows:

1. Where the furnishing of such information is expressly authorized by Act of Congress; or
2. Where authorized to furnish such information by the source from which the information was obtained; or
3. To the Board of Governors of the Federal Reserve System; or
4. To other Federal Reserve Banks; or
5. To the appropriate officers or agents of the War Department and the Navy Department; or
6. To other departments, agencies, or instrumentalities of the United States Government, but only when the information requested is to be used in connection with the letting or proposed letting of Government contracts.

"It is assumed that the Federal Reserve Banks will continue to furnish credit information to the Federal Housing Administration, when requested, as authorized by the Board of Governors (Loose-Leaf Service #8333)."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrie
Secretary.

Approved:

Donald J. Quinn
Vice Chairman.