

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Saturday, November 15, 1941, at 11:45 a.m.

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

Mr. Morrill, Secretary  
Mr. Bethea, Assistant 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 November 14, 1941, were approved unanimously.

Memorandum dated November 12, 1941, from Mr. Nelson, Assistant Secretary, recommending that Wayne A. Pollard be appointed as an accountant in the Office of the Secretary, with salary at the rate of \$2,400 per annum, effective as of the date upon which he enters upon the performance of his duties after having passed satisfactorily the usual physical examination. The memorandum also stated that it was expected that if Mr. Pollard fitted into the work as well as contemplated a further recommendation would be submitted within a few months that his salary be increased.

Approved unanimously.

Memorandum dated November 14, 1941, from Mr. Wyatt, General

11/15/41

-2-

Counsel, submitting the resignation of Mrs. Edna B. Boiseau as a secretary in the Office of General Counsel, to become effective as of the close of business on November 11, 1941, and recommending that the resignation be accepted as of that date.

The resignation was accepted.

Letter to Mr. Hodge, Assistant Counsel of the Federal Reserve Bank of Chicago, reading as follows:

"This is with reference to your letter of October 17, 1941 enclosing copies of pamphlets relating to the Orgatron, an electric organ, and asking whether the organs described in these pamphlets are included in the classification 'household electric organs' as referred to in Group D-8 of the Supplement to Regulation W.

"Our investigations indicate that the Everett Piano Company manufactures three models of Orgatrons. Series 600 and Series 700, which were described in the pamphlets you forwarded to us, are both considered to be ecclesiastical models specially designed for use in churches. Model 500, which is a small instrument having a single manual and retailing at about \$800, is considered to be a domestic or household organ. It is to be contrasted with the Series 600 and Series 700 which retail at about \$1,900 and \$1,500, which have two manuals, a pedal clavier and special controls and accessories, and which are such as would not be ordinarily purchased on instalments for use in homes."

Approved unanimously.

Letter to Mr. Swanson, Vice President of the Federal Reserve Bank of Minneapolis, reading as follows:

"This will acknowledge receipt of your letter of October 22, 1941, calling attention to the use of the term 'overall deferred balance' in section 6(b) of Regulation W.

"The provisions with respect to modernization loans were put into the regulation at a late date and consequently did not receive as much study as some of the

11/15/41

-3-

"other provisions.

"The use of the term 'overall deferred balance' instead of the term 'total contract' does put a penalty on the obtaining of down payments as you suggest.

"Certain changes made by Amendment No. 2 and other changes under consideration may make it possible to avoid the use of the term 'deferred balance' either in the Supplement or in section 6(b).

"This is a matter which will have to be taken into consideration when the Board makes a number of other amendments of similar character. The Board has been glad to receive your observations on the subject."

Approved unanimously.

Telegram to Mr. Leedy, President of the Federal Reserve Bank of Kansas City, reading as follows:

"Retel tenth and thirteenth suggest that notice to registrants regarding registration clearly show that statements may be filed either with the Federal Reserve Bank of Kansas City or its branches."

Approved unanimously.

Telegram to Mr. Phillips, Assistant Cashier at the Federal Reserve Bank of Kansas City, reading as follows:

"Your wire. Answer depends on facts of particular case but in usual case where Registrant repossesses car and offers it for sale, section 8(a) would not authorize resale on terms not complying with regulation."

Approved unanimously.

Letter to Honorable Prentiss M. Brown, United States Senate, reading as follows:

"This will acknowledge your recent letters to Chairman Eccles, transmitting protests against action which certain of your constituents understood was shortly to be taken to tighten substantially the provisions of the regulation governing the terms of instalment sales of automobiles. These

11/15/41

-4-

"protests are based upon a misunderstanding.

"In the light of experience so far gained in the practical application of Regulation W, the Board of Governors of the Federal Reserve System, in cooperation with the staff of the Office of Price Administration, is studying and analyzing such information and data as it has been possible to gather from those in the trade or otherwise who are affected by the regulation. While the information obtainable is as yet insufficient to furnish precise statistical evidence of the effects of the regulation upon the various listed articles, it will be carefully studied before any further change is made in the present terms of the regulation.

"As has been repeatedly stated, the sole objective of the regulation is to supplement other more fundamental measures designed to dampen consumer buying power and thus help to prevent inflationary price rises. The regulation applies so far to a limited list of articles which interfere with defense requirements in that they use metals or other materials of which the supply is insufficient to meet both civilian and defense needs. There is no basis for the impression that the regulation is intended to or, in fact, does reduce in any way the supply of the various listed articles. The regulation affects demand, not supply. The reduction in the supply for civilian use arises from diversion of production and insufficiency of strategic materials caused by the defense program.

"Recently, reports have circulated forecasting action by the Board to tighten the regulation in specific ways. The Board desires to emphasize that before the initial regulation was issued representatives of the trades affected were given an opportunity to present their views, and that the purpose is to continue contacts with representatives of the trades during the progress of the Board's administration of the regulation. The Board will always be glad to have the views of those affected--both trades and consumers--but neither group should assume that Board policy is ever represented by unauthorized reports."

Approved unanimously, with the understanding that similar replies would be made to numerous other inquiries that were being received with respect to action by the Board to tighten the provisions of Regulation W.

11/15/41

-5-

Letter to Mr. Edgar A. Beard of the Bankers Exchange Bureau of Western Pennsylvania, Pittsburgh, Pennsylvania, reading as follows:

"The Pittsburgh branch of the Federal Reserve Bank of Cleveland has forwarded to the Board your two letters of October 21, 1941, which make certain suggestions for the amendment of Regulation W.

"Your first suggestion is that in case a Registrant makes a loan and the part of that loan which is to reduce or retire instalment credit held elsewhere is no more than 25 per cent of the loan, the whole loan can be treated as a new extension of credit.

"Your second suggestion is that loans against collateral in the form of securities or life insurance policies be exempted from the provisions of the regulation.

"Both of these problems have been under study here for some time, and in connection with this study the Board is glad to have your suggestions and will give them careful consideration."

Approved unanimously.

Letter to Mr. Milton Rygh, Assistant Director of the Credit Union Section of the Farm Credit Administration, reading as follows:

"This will acknowledge receipt of your letter of November 13 enclosing a proposed draft of a circular letter to all Federal credit unions which is to serve as a transmittal letter for copies of the Registration Statement issued by the Board of Governors in connection with Regulation W.

"This proposed draft appears to be correct in substance and the Board of Governors interposes no objection. It is noted, however, that there are a few minor points as to which the proposed circular letter might be further clarified before it is duplicated and distributed to the Federal credit unions; as to these points Mr. Dembitz of this office has communicated with Mr. Snow of your office. It is understood that your letter in its final form will differ, as to some of these details, from the draft which you sent on November 13, but will not differ in any major respect.

"When the letter is duplicated for distribution will

11/15/41

-6-

"you kindly send 75 copies to the Board of Governors.

"The Board wishes again to express its appreciation of your generous cooperation in handling the registration of Federal credit unions under Regulation W and in other matters pertaining to this regulation."

Approved unanimously.

Letter to Mr. C. F. Hartman, Dubuque, Iowa, reading as follows:

"Your letter of October 30 has been received.

"There is enclosed a copy of Amendment No. 2 to Regulation W, which becomes effective December 1, next. The provisions regarding the Statement of Necessity appear in section 8(d) on page 5. The Board has not yet prescribed a form of statement, but until it does so a 'Registrant' may in good faith accept a written statement in any form, provided such statement otherwise conforms to the requirements of section 8(d).

"Your reference to a 'board' or 'committee' is not clearly understood. Suggestions have been made that a board or committee be established in each Federal Reserve Bank and branch city to advise the Bank or branch on Regulation W matters, but the Board of Governors has itself taken no action to have such boards or committees established."

Approved unanimously.

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

"In connection with the hearings which are now being held by the Committee on Interstate and Foreign Commerce of the House of Representatives on certain amendments to the Securities Act of 1933 and the Securities Exchange Act of 1934, there is enclosed a copy of a joint statement by the Comptroller of the Currency, the Board of Governors, and the Federal Deposit Insurance Corporation opposing one of these proposed amendments relating to public offering of securities. There is also enclosed a copy of a letter which the Board has addressed to the Chairman of the Committee on Interstate and Foreign Commerce relating to this joint statement.

11/15/41

-7-

"The joint statement has been delivered to the Chairman of the Committee on Interstate and Foreign Commerce but has not yet been released by him. Accordingly, the enclosures to this letter are merely for your information and are not to be released to the public pending a release by the Chairman of the Committee on Interstate and Foreign Commerce.

"While the joint statement relates to only one provision now pending before the Committee, you will note that in the Board's covering letter it has reserved the right to submit its views on other proposed amendments before the Committee if it appears desirable to do so."

"It has not been possible to obtain sufficient copies of a confidential Committee Print containing all the proposed amendments which are being considered by the Committee to furnish copies of such Committee Print to the Federal Reserve Banks, but there is enclosed for your information a copy of an analysis of the provisions contained in the Committee Print."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrie

Secretary.

Approved:

1: McCauley

Chairman.