

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, December 24, 1941, at 11:30 a.m.

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

Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary

The action stated with respect to each of the matters hereinafter referred to was taken by the Board:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on December 23, 1941, were approved unanimously.

Memorandum dated December 24, 1941, from Mr. Wyatt, General Counsel, submitting the resignation of Mary F. Tesh as a stenographer in the Office of General Counsel, to become effective as of the close of business on January 9, 1942, and recommending that the resignation be accepted as of that date.

The resignation was accepted.

Memorandum dated December 22, 1941, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that assent be given by the Board to the examination and certification by the Civil Service Commission of Mary Jane Harrington, clerk

12/24/41

-2-

in that Division, for the position of Junior Professional Assistant, Junior Administrative Technician option.

Approved unanimously, with the understanding referred to in Mr. Goldenweiser's memorandum that before accepting a position covered by the examination she would obtain the consent of the Board of Governors.

Memorandum dated December 22, 1941, from Mr. Paulger, Chief of the Division of Examinations, recommending that John C. Franzoni, Assistant Federal Reserve Examiner assigned to the road force, be granted leave of absence without pay beginning December 9, 1941, so that he might enter active duty with the United States Navy, and that he be granted the benefits provided in the policy adopted by the Board on November 14, 1940, and amended August 20, 1941, for all employees entering military service.

Approved unanimously.

Telegram to Mr. W. W. Waymack, Des Moines, Iowa, reading as follows:

"Board of Governors of Federal Reserve System has appointed you a Class C director of Federal Reserve Bank of Chicago for unexpired portion of three-year term ending December 31, 1942. It will be appreciated if you will advise by collect telegram of your acceptance."

Approved unanimously.

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

"Referring to your letter of December 20, the Board of Governors approves a salary of \$5,600 per annum, as

12/24/41

-3-

"fixed by your Board of Directors for Mr. Paul C. Hodge, Assistant Counsel, for the period December 16, 1941-March 31, 1942."

Approved unanimously.

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

"Referring to your letter of December 20, the Board of Governors approves a salary of \$6,000 per annum, as fixed by your Board of Directors, for Mr. Harold L. Diehl, Cashier, Detroit Branch, for the period December 16, 1941-March 31, 1942."

Approved unanimously.

Telegram to Mr. Davis, President of the Federal Reserve Bank of St. Louis, stating that, subject to conditions of membership numbered 1 to 3 contained in the Board's Regulation H, the Board approves the application of "The Maries County Bank", Vienna, Missouri, for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of St. Louis. The telegram requested that the Federal Reserve Bank advise the applicant bank of the Board's approval of the application and conditions of membership prescribed, together with necessary instructions as to the procedure for accomplishing membership, and stated that a letter containing detailed advice regarding such approval would be forwarded to the applicant bank through the Reserve Bank.

Approved unanimously.

Telegram to Mr. Davis, President of the Federal Reserve Bank of St. Louis, stating that, subject to conditions of membership

12/24/41

-4-

numbered 1 to 3 contained in the Board's Regulation H and the following special condition, the Board approves the application of the "Montrose Savings Bank", Montrose, Missouri, for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of St. Louis:

- "4. At the time of admission to membership such bank shall have a paid-up and unimpaired capital of at least \$25,000."

The telegram requested that the Federal Reserve Bank advise the applicant bank of the Board's approval of the application and conditions of membership prescribed, together with necessary instructions as to the procedure for accomplishing membership, and stated that a letter containing detailed advice regarding such approval would be forwarded to the applicant bank through the Reserve Bank.

Approved unanimously.

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

"Reference is made to your letter of December 18, 1941, submitting for the consideration of the Board the request of the Miners Bank and Trust Company, Lykens, Pennsylvania, for approval of a proposed reduction in common capital from \$150,000 to \$75,000 by reducing the par value of outstanding shares from \$10 to \$5, thereby releasing \$75,000 in capital funds to be returned to stockholders pro rata.

"In view of your recommendation and the information submitted, the Board approves the reduction in capital as proposed subject to the condition that the formal approval of the appropriate State authorities be obtained.

"The suggested requirement that the bank shall agree to dispose of all substandard securities now held

12/24/41

-5-

"by it within one year of the date of approval of the proposed capital reduction has not been made. In view of the condition of the bank, the quality and amount of the securities involved, and the fact that the proposed reduction and distribution of capital practically represents a payment on waived deposits, it was felt that the matter might be handled in the regular course of supervision rather than through the proposed condition. It is understood that you concur in this position."

Approved unanimously.

Letter to Mr. Woolley, Vice President of the Federal Reserve Bank of Kansas City, reading as follows:

"Please refer to your letter of December 3, 1941 and previous correspondence, regarding the right of a bank or trust company in Colorado to deposit in its own banking department funds held by it in a fiduciary capacity, and to pledge security, where required to do so by a condition of membership, for the protection of such funds.

"The condition of membership in question contemplates that any deposit of securities by a member bank in its trust department for the purpose of complying with the condition shall result in a valid pledge of such securities for the protection of the trust funds deposited by the bank in its banking department. It follows that, where a valid pledge cannot be made, a bank can comply with the condition only by refraining from depositing trust funds in its own banking department.

"While the question apparently has not been taken up with the State banking authorities or the banks concerned, Mr. Leedy, as counsel for your bank, has expressed the opinion, in which our counsel concur, that State banks in Colorado do not have authority, under State law, to pledge securities for the protection of trust funds deposited by them in their own banking departments. It seems clear, therefore, that banks of that State which are subject to the condition of membership must discontinue depositing trust funds in their own banking department in order to comply with the condition.

"Further, in similar cases the Board has been unwilling to waive compliance with the condition,

12/24/41

-6-

"expressing the view that the mere fact that the bank cannot validly pledge securities does not justify such a waiver. The Board has waived compliance only where, under the State laws, when a bank is liquidated, trust funds deposited by it in its own banking department are fully protected by a statutory preference in all the assets of the bank over its general creditors and it is understood that the laws of the State of Colorado do not create such preference. In connection with the foregoing, attention is called to the Board's letter X-9143 dated March 8, 1935 (FRLS #3722).

"In the circumstances, it is felt that United States Bank of Grand Junction, Grand Junction, Colorado, and The Gunnison Bank and Trust Company, Gunnison, Colorado, should be requested to discontinue depositing trust funds in their own banking departments as soon as they can conveniently make the necessary arrangements. You are requested, therefore, to take the matter up with the banks at such time and in such manner as you may deem best and advise us when corrections have been obtained.

"In this connection, you may wish to consider the advisability of suggesting to the member banks concerned the possibility of obtaining an amendment to the State law which would definitely authorize the deposit of trust funds in own bank and the pledge of security to protect such funds, if the banks deem it essential to deposit trust funds in their own banking departments."

Approved unanimously.

Telegrams to Mr. Force, Federal Reserve Agent at the Federal Reserve Bank of San Francisco, authorizing him to issue limited voting permits, under the provisions of Section 5144 of the Revised Statutes of the United States, to the "Old National Corporation" and "Investment and Securities Co.", both of Spokane, Washington, entitling such organizations to vote the stock which they own or control of "The Old National Bank of Spokane" and the "First National Bank in Spokane", both of Spokane, Washington, at any time prior to

12/24/41

-7-

April 1, 1942, to elect directors of such banks at the annual meetings of shareholders, or any adjournments thereof, and to act thereat upon such matters of a routine nature as are ordinarily acted upon at the annual meetings of such banks.

Approved unanimously, together with a letter to Mr. Day, President of the Federal Reserve Bank of San Francisco, reading as follows:

"This refers to the Board's letter of December 11, 1941 (R-930), requesting that you obtain annual reports for 1941 from the holding company affiliates in your district which hold general voting permits. You will recall that, although Old National Corporation and Investment and Securities Co., both of Spokane, Washington, do not hold general voting permits, annual reports were obtained from them for 1940 pursuant to our letter to you dated December 27, 1940. It is desired that, for the reasons indicated in such letter, you request these two holding company affiliates to furnish annual reports on Form F.R. 437 covering the year 1941.

"A supply of Form F.R. 437 is enclosed for use in obtaining the reports from Old National Corporation and Investment and Securities Co."

Memorandum dated December 19, 1941, from Mr. Vest, Assistant General Counsel, stating that Deputy Comptroller of the Currency McCandless had sent to the Board for its information a copy of a letter written by him to the President of the Omaha Clearing House Association in reply to a letter from the latter requesting advice as to the enforcement of the provisions of Regulation Q relating to the absorption of exchange charges. The memorandum stated that Mr. McCandless' letter to the Clearing House Association presented

12/24/41

-8-

the view that an interpretation of Regulation Q on this point should be made by the Board of Governors rather than by the Comptroller's Office, outlined the history of Regulation Q with regard to this matter, and stated that the Comptroller's Office had asked the Board on several different occasions in 1939 and 1940 for a ruling with respect to the absorption of exchange charges by a certain bank and that the Board replied that the matter was having active consideration but involved many perplexing problems and the Comptroller's Office would be advised of any action taken. The letter also expressed the view that absorbing out-of-pocket charges is an unnecessary expenditure of a bank's funds and is regarded unfavorably, and suggested that the bank ascertain from the Federal Reserve Bank of Kansas City whether or not an interpretation of Regulation Q had been made. The memorandum added that presumably the Board would not desire to open up this question at this time and that, accordingly, a simple acknowledgment of Mr. McCandless' letter to the Board had been prepared in the following form:

"Please accept our thanks for your letter of December 15, 1941 enclosing for the Board's information a copy of a letter dated December 5, 1941, received by your office from the President of the Omaha Clearing House Association, Omaha, Nebraska, together with a copy of your reply thereto, regarding the question whether the absorption of exchange charges constitutes a payment of interest on demand deposits in violation of the Board's Regulation Q."

The letter was approved
unanimously.

12/24/41

-9-

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

"Receipt is acknowledged of your letter of December 11 enclosing a copy of a letter dated December 3 from the Domestic Finance Corporation to Mr. M. F. McAvoy, Assistant Deputy Superintendent, Banking Department, State of New York.

"The question is whether a proposed schedule of payments complies with the requirements of section 5(c)(2) of Regulation W which requires that no instalment shall be substantially greater than any preceding instalment. The schedule calls for 15 monthly payments which are equal in amount, followed by 3 smaller payments to cover the remaining balance of principal and interest. However, in order to avoid undue complexity in calculating the amounts of the various payments, and also in order to avoid a conflict with certain State requirements, the last payment is larger than the preceding payment, although, as stated above, all of the last 3 payments are substantially smaller than the 15 preceding payments.

"The principal purpose of section 5(c)(2) was to prevent a balloon note at the end of the series. Obviously the schedule of payments described in the letter of the Domestic Finance Company is not in conflict with this purpose, and in view of the fact that the last payment is very much smaller than any of the first 15 payments, the Board is of the opinion that it should not be regarded as violating the above requirement of the Regulation.

"A somewhat similar question was presented by another inquiry received from Mr. Hale in San Francisco. In that case certain of the instalments were increased by adding semiannual or other periodic interest payments. In case you may be interested, a copy of the Board's reply to Mr. Hale is enclosed."

Approved unanimously.

Letter to Mr. Gilmore, Assistant Cashier of the Federal Reserve Bank of St. Louis, reading as follows:

12/24/41

-10-

"Thank you for your letter of the 12th forwarding to the Board a copy of a 'Protest Accompanying Registration Statement' filed by many credit unions with the Registration Statement.

"The credit unions are entirely within their rights in filing these protests. However, we have been informed by Mr. Dillard that many credit unions believe Regulation W to be essential during the period of emergency. Nevertheless, they wish to be in a position to take whatever action may be necessary when the emergency is over. We have not been informed of any contemplated court action to test the constitutionality of the 1917 Act, the President's Order, or the regulation.

"You are very properly refraining from taking any action in connection with these protest notices and ignoring them in licensing the credit union Registrants in the usual manner. The Board has no further suggestions to offer, and it is pleased to learn that you have handled the situation in this way."

Approved unanimously.

Letter to Mr. R. R. Williams, Head of the Department of Consumer Instalment Credit at the Federal Reserve Bank of Philadelphia, reading as follows:

"This is with reference to your letter of December 4, 1941, inquiring about the status, under Regulation W, of certain water heaters which are sold without tanks.

"The Board agrees with your view that a water heater which is designed to be used in connection with a tank having a capacity of 85 gallons or less is included in Group D-2 of the Supplement, even though it is sold without the tank.

"It is possible that the person who made the inquiry referred to was thinking of certain water heaters which do not employ storage tanks at all but heat the water passing through them, being put into action by the turning of a faucet. The Board has not, as yet, issued an interpretation with respect to the sizes of such water heaters that are to be considered subject to the regulation. It has been thought that almost all of these are

12/24/41

-11-

"small enough so that the question would not be raised. It has been assumed that all of them would be treated as included. If it develops that an interpretation is needed, the Board would be glad to have your suggestions as to its content."

Approved unanimously.

Memorandum dated December 18, 1941, from Mr. Parry, Chief of the Division of Security Loans, and Mr. Thomas, Assistant Director of the Division of Research and Statistics, reading as follows:

"Plans for obtaining additional factual information needed for the regulation of consumer credit are being developed by the staff. Practically all parts of the program will require discussion and negotiation with reporting firms or their representatives and in many cases with other agencies now collecting statistics in the fields to be covered. We wish to recommend at this time that the Board authorize the staff to proceed with negotiations regarding three aspects of the program, which are described in accompanying memoranda and summarized below. It is requested that the Board authorize the staff to make minor technical revisions in the plans, where needed. Important changes, if required, will be submitted to the Board for approval. Approval is also requested of the accompanying drafts of letters formally opening the negotiations.

"(1) Retail furniture. - We recommend that statistics on retail furniture sales and credit be collected through the Federal Reserve Banks and compiled and published by the Board. The National Retail Furniture Association, recognizing the inadequacy of available statistics in this field, has offered its cooperation in developing a current reporting service to furnish specific information needed for the administration of Regulation W, as well as general information of interest to the industry and others analyzing trade and business conditions. This task can be taken over by the Reserve System as a logical and not too burdensome extension of our work in collecting department store statistics. In this way satisfactory results can be

12/24/41

-12-

"obtained more promptly without conflict with other agencies, since there are now no adequate statistics being collected by any one in this field.

"(2) Consumer credit in commercial banks.-

It is recommended that the Reserve System collect monthly statistics from a sample of commercial banks showing the volume of instalment paper obtained and amounts outstanding. This would involve taking over the collection of statistics now being reported to the Consumer Credit Division of the American Bankers Association and tabulated in the Bureau of Foreign and Domestic Commerce. This series is not entirely satisfactory, and it would seem desirable, furthermore, that any banking statistics in this field should be collected by the Reserve System.

"(3) Sales finance companies. - It is recommended that the Board request the Bureau of the Census to revise and expand its collection of statistics on automobile financing obtained from a sample of sales finance companies. The principal change desired is to obtain information about the financing of instalment sales of other types of goods than automobiles, i.e., so-called 'diversified' financing, which has been of growing importance.

"It is expected that these plans for establishing, transferring, or improving basic statistical information will meet some of the factual needs of the Board in administering Regulation W and at the same time will minimize, and in some cases eliminate, the need for required official reporting under the regulation. Other plans for improving the statistics of consumer credit are being formulated and may be submitted to the Board in the near future.

"Note: These proposals have been cleared with Mr. Goldenweiser and that on banking statistics with Mr. Smead."

Approved unanimously, together with the letters referred to in the memorandum, which were as follows:

Letter to the Presidents of all Federal Reserve Banks:

12/24/41

-13-

"In connection with the conference of Statistical Divisions in Washington early in January, it was believed that you may be interested in the status of negotiations now in progress for the collection of statistics on the trade and credit involved in the retail sale of furniture.

"The furniture statistics now collected currently include the instalment outstandings and collections of a small sample of furniture stores compiled in the Bureau of Foreign and Domestic Commerce, a series on total sales of independent furniture stores in 34 States compiled by the Bureau of the Census, and certain sales and inventory figures collected from a small and non-identical sample collected by the National Retail Furniture Association.

"These series are not adequate for the proper formulation of Board policy with respect to consumer instalment credit. They do not cover all geographical areas and all types of stores. They omit several vital types of information, and many of the current figures are not available until three to eight weeks after the end of the period to which they relate. One of the series is based on reports from a list of concerns that changes from month to month.

"The National Retail Furniture Association has offered to cooperate in developing a current reporting series which would fill most of the gaps outlined. Federal Reserve Bank and branch facilities are believed to be excellent means through which this job of collection could be done. It is hoped that your Bank is in a position to participate in this program if it is put into operation. Suggestions from you on this matter will be welcome."

Letter to Mr. Carroll Wilson,
Director of the Bureau of Foreign
and Domestic Commerce of the De-
partment of Commerce:

"In dealing with the regulation of consumer credit, the Board needs more and better current statistics of retail furniture trade and credit than are now available. The existing statistical series include sales of a sample of independent furniture stores in 34 States compiled by the Bureau of the Census, a sample of furniture store instalment outstandings and collections

12/24/41

-14-

"compiled by your Bureau, and sales and inventory figures collected from a small and non-identical sample by the National Retail Furniture Association.

"These series do not cover all geographic areas and all types of stores, and they do not provide information of some aspects of business necessary for the Board's purpose.

"The National Retail Furniture Association has offered to cooperate in the development of a current reporting series which would supply more satisfactory data. Because the Federal Reserve Banks provide geographically well-distributed facilities for the collection of statistics of retail trade and have had considerable experience in this field and because of our direct interest in the results, the Board believes that this task should be undertaken by the Reserve System.

"The general policy followed in the Board's statistical work has been to avoid all duplication in reporting in so far as possible. In order to allow us to undertake this job without breach of this principle, would your Bureau consider discontinuing the collection of instalment outstandings and receivables from furniture stores? As in other cases, we would, of course, plan on making the results of our series available to you promptly.

"A copy of this letter has been sent to the Division of Statistical Standards of the Bureau of the Budget."

Letter to Mr. Walter French,
Manager of the Consumer Credit Division
of the American Bankers Association:

"This is with reference to the current reports of consumer credit holdings collected by your office from a sample of commercial banks.

"In discharging its regulatory responsibility in connection with consumer credit, the Board needs prompt and systematic information relating to commercial bank participation in this field. The current statistics developed by your reporting service have been useful but prompt figures, perhaps from a larger number of banks, are needed. The Reserve System does not want to

12/24/41

-15-

"cause any duplication of reporting by banks and in these circumstances would you or your Association have any objection to discontinuing the collection of the monthly and quarterly reports on consumer credit volume and outstandings or transferring the reporting service to the Reserve System? You would, of course, be supplied promptly with the figures compiled.

"The members of our staff who discussed this proposal with you informally also broached it to Messrs. Wardwell and Merriam of the Bureau of Foreign and Domestic Commerce, in which department your reports are now tabulated. They agreed to the arrangement outlined here.

"The mechanical details of transfer, if approved, may be settled between yourselves and Mr. Woodlief Thomas, Assistant Director of the Division of Research and Statistics. Presumably the transfer would involve supplying us with your list of reporting banks and, so far as possible, with the files of past reports. A letter from your office (which could quote from this letter or enclose it if you desire) would explain the transfer to the reporting banks. If you prefer, the Board could write directly to the participating banks. Because the December bank call report will be accompanied by a supplementary schedule relating to commercial bank consumer credit holdings, it would be particularly desirable to receive the end-of-year sample report so that it could be checked and, if necessary, revised."

Letter to Honorable J. C.
Capt, Director of the Census, Bureau
of the Census of the Department of
Commerce:

"In dealing with the regulation of consumer credit, the Board needs more and better current statistics of retail furniture trade and credit than are now available. The existing statistical series include sales of a sample of independent furniture stores in 34 States compiled by your Bureau, a sample of furniture store instalment outstandings and collections compiled by the Bureau of Foreign and Domestic Commerce, and sales and inventory figures collected from a small and non-identical sample by the National Retail Furniture Association.

12/24/41

-16-

"These series do not cover all geographic areas and all types of stores, and they do not provide information of some aspects of business necessary for the Board's purposes.

"The National Retail Furniture Association has offered to cooperate in the development of a current reporting series which would supply more satisfactory data. Because the Federal Reserve Banks provide geographically well-distributed facilities for the collection of statistics of retail trade and have had considerable experience in this field and because of our direct interest in the results, the Board believes that this task should be undertaken by the Reserve System.

"If this reporting system is put in operation, it is likely that the respondents would include some that now report retail sales to you. If your Bureau is willing to discontinue collection of sales figures from these stores, we would supply you with the comparable figures. Mr. Thomas, Assistant Director of the Division of Research and Statistics, is prepared to discuss technical procedure with you or your representative.

"A copy of this letter has been sent to the Division of Statistical Standards of the Bureau of the Budget."

A second letter to Honorable
J. C. Capt:

"In discharging its responsibilities with respect to the regulation of consumer credit, the Board needs dependable and prompt information concerning the operations of the important agencies operating in this field. Sales finance or discount companies are one of the most important of these agencies. These concerns purchase the installment contracts created by dealers selling automobiles, household appliances, and other consumer goods. Your Bureau now collects a monthly series on the volume of new and used retail automotive paper purchased, the volume of wholesale financing, and the amount of retail automotive paper outstanding. There is, however, no current information about the volume of purchases or amounts outstanding of financial paper arising from other types of retail transactions.

"Because these facts are not only of current but also of continuing interest to several Government agencies and to the industry itself, it is appropriate that your

12/24/41

-17-

"Bureau should expand its current reporting to fill this gap, and we urge you to do so. The members of the Board's staff have already discussed this matter informally with Messrs. McClure and Guernsey of your Bureau and there appear to be no obstacles, technical or administrative, to the expansion of your current reporting service.

"A memorandum of technical points is attached to this letter. If your Bureau is willing to undertake the job, it is suggested that our staff cooperate in developing, testing, and perfecting the basic statistical schedules and procedures."

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

"Under present procedure, total estimated earnings on industrial advances and commitments are taken into account in quarterly reallocation of Government securities. Since net earnings on industrial advances and commitments attributable to funds received from Treasury are not available to cover Bank expenses and dividends or for transfer to Section 7 Surplus, it has been suggested that reallocation would be more equitable if such earnings were omitted. Please advise whether you see any objection to change."

Approved unanimously.

Letter to the Comptroller of the Currency reading as follows:

"It is respectfully requested that you place an order with the Bureau of Engraving and Printing, supplementing the order requested June 14, 1941, for the printing of Federal Reserve notes of the 1934 Series in the amount and denomination stated for the Federal Reserve Bank of Chicago:

<u>Denomination</u>	<u>Number of Sheets</u>	<u>Amount</u>
\$5	340,000	\$20,400,000"

Approved unanimously.

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

12/24/41

-18-

"Receipt is acknowledged of your letter of December 19, 1941, referring to your letter of December 8, 1941, with regard to a proposed amendment to section 719(a)(1) of the Internal Revenue Code designed to clarify the status of bankers' acceptances under the definition of borrowed capital.

"You state that Mr. Rouse of your bank recently conferred on this subject with Mr. Roy Blough, Director of Tax Research of the Treasury Department, and in view of his interest in the subject you suggest that it would facilitate effective consideration of the matter if copies of the memorandum enclosed with your letter of December 8 are transmitted to the Treasury Department at this time. In the circumstances, it is believed appropriate for the Board to furnish copies to the Treasury Department for its consideration, and if you will kindly send us the necessary additional copies we will be glad to forward them to the Treasury."

Approved unanimously.

Letter to the Attorney General of the United States reading as follows:

"This refers to the letter which Hon. Marriner S. Eccles, Chairman of the Board of Governors of the Federal Reserve System, addressed to you under date of December 3, 1941 requesting that appropriate proceedings be instituted against the Commissioners of the District of Columbia to quash the assessment of taxes which has been made against the real property held in the Board's name or to enjoin the collection of such taxes and for such other relief as may be deemed advisable.

"Since the transmission of that letter there have been informal conferences between representatives of your Department and the Board's representatives, between representatives of your Department and the District of Columbia, and between representatives of the Board and the District of Columbia, which resulted in an exchange of letters between the Board and the District of Columbia wherein it is agreed that, in view of the pressure of business resulting from the national emergency, the Assessor of the District of Columbia will be instructed to withdraw the property from the sale to take place on

12/24/41

-19-

"January 6, 1942 and the Board will proceed with all reasonable dispatch to bring about a final disposition of this matter by litigation or legislation. Copies of the letters which were exchanged between the Board and the District of Columbia are enclosed for your records.

"Hon. Newman A. Townsend, Assistant Solicitor General, has been kept informed of all developments in this matter and informally approved the Board's letter of December 17, 1941 to Hon. John Russell Young, President of the Board of Commissioners of the District of Columbia, before it was sent.

"In accordance with the understanding with the Commissioners of the District of Columbia, it will be necessary to give further consideration to this matter at an early date."

Approved unanimously.

Following informal discussions with Mr. Goldenweiser, it was agreed unanimously that, because of circumstances which had arisen since the conference of Reserve System Economists was called to convene on January 5-7, 1942, the conference should be postponed indefinitely and that Mr. Goldenweiser should advise the Federal Reserve Bank representatives accordingly.

Thereupon the meeting adjourned.

Chester Morrie
Secretary.

Approved:

Ignacio Ramon
Vice Chairman.