

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, January 28, 1942, at 10:40 a.m.

PRESENT: Mr. Eccles, Chairman (Part of meeting)
Mr. Ransom, Vice Chairman
Mr. McKee
Mr. Draper

Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary
Mr. Wyatt, General Counsel
Mr. Goldenweiser, Director of the
Division of Research and Statistics
Mr. Gardner, Senior Economist, Division
of Research and Statistics
Mr. Bach, Associate Economist, Division
of Research and Statistics
Mr. Bean, Economic Assistant, Division
of Research and Statistics

This meeting was called in accordance with the action taken at the meeting of the Board on January 22, 1942, to consider a draft of statement that might be used by the representative of the Board in presenting the position of the Board at the proposed hearings before the Senate Banking and Currency Committee on the Inter-American Bank. Chairman Eccles sent word into the meeting that because of other pressing matters he would not be able to attend.

There were distributed copies of a draft of statement prepared by Messrs. Wyatt, Goldenweiser, and Gardner which discussed the need for an Inter-American Bank, the management of the bank, the relation of the Federal Reserve System to the Inter-American Bank, the Inter-American Bank Committee, and amendments to the bank's statutes. Mr.

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Gardner also distributed copies of a chronological summary of important events in connection with the proposed bank.

As a preliminary to the discussion of the draft of statement, Mr. Gardner outlined briefly the purposes for which the bank would be organized and the consideration that had been given to the relationship of the Federal Reserve System to the bank, and stated that it appeared that the time had arrived for the System to determine whether it would seek to play a leading role in the relations of the United States with the bank. He also said that, if the opportunity that the situation presented to the System was to be taken advantage of, it would be necessary for the Federal Reserve Banks, and particularly the Federal Reserve Bank of New York, to become interested in it and for a designated member of the Board to familiarize himself fully with the project so that he could participate in conferences relating to the completion of the establishment of the bank and the selection of the American director and the president of the bank.

A discussion ensued of questions that would be raised by various possible relationships of the Federal Reserve System with the Inter-American Bank, the authorities under which the Federal Reserve System could deal with the bank, and the extent to which the System might be expected to extend credit to the bank in the form of discounts or the purchase of its obligations. There was also a discussion of various questions that might be asked the Board's representative at the hearings

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before the Senate Banking and Currency Committee.

The draft of statement distributed by Mr. Gardner was then read and discussed paragraph by paragraph and suggestions were made by the members of the Board as to desirable changes therein.

While this discussion was under way, Chairman Eccles entered the room and referred to a draft of statement which had been prepared by Mr. Piser, Senior Economist in the Division of Research and Statistics, and which it was proposed to send to Under Secretary of the Treasury Bell in response to his letter of January 17, 1942, to Chairman Eccles asking for suggestions and criticisms on a memorandum enclosed with the letter which discussed a proposed special security designed for the purpose of absorbing idle business balances. The draft of statement had been revised following informal discussions by members of the Board, and copies had been sent to the offices of the members of the Board by Mr. Piser before this meeting.

The draft of statement was read by Chairman Eccles and, after a discussion, it was understood that he would send it to Mr. Bell as reflecting the general views of the Board on the subject.

Thereupon, Messrs. Eccles and Carpenter withdrew from the meeting, and the consideration of the draft of statement with respect to the Inter-American Bank was continued.

At the conclusion of the discussion of the statement, it was understood that Mr. Gardner would revise the statement in the light of suggestions made at this meeting. It was also understood that when the revised statement was approved by the Board it would

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be submitted to Mr. Berle, Assistant Secretary of State, for the purpose of ascertaining whether he was in agreement with it or had any comments to make with respect thereto.

At this point, Messrs. Wyatt, Goldenweiser, Gardner, Bach, and Bean left the meeting, and the action stated with respect to each of the matters hereinafter referred to was then taken by the Board, Chairman Eccles participating:

Bond in the amount of \$10,000, executed under date of January 22, 1942, by Albert M. Creighton as Federal Reserve Agent at the Federal Reserve Bank of Boston.

Approved unanimously.

Memorandum dated January 23, 1942, from Mr. Morrill, Secretary, recommending that Paul H. Berntson, who was appointed on a temporary basis on October 16, 1941, be appointed on a permanent basis as a clerk in the Secretary's Office and that his salary be increased from \$2,000 to \$2,200 per annum, effective February 1, 1942.

Approved unanimously.

Memorandum dated January 27, 1942, from Mr. Carpenter, Assistant Secretary, submitting the resignation of Donald E. Peake as a temporary chauffeur in the Secretary's Office, to become effective as of the close of business on February 6, 1942, and recommending that the resignation be accepted as of that date.

The resignation was accepted.

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

"In accordance with the request contained in your letter of January 2, the Board approves the appointment, effective January 1, 1942, of Leonard Markford, at present an assistant examiner, as an examiner for the Federal Reserve Bank of Philadelphia."

Approved unanimously.

In accordance with the recommendations contained in a memorandum dated January 27, 1942, from the Personnel Committee, the following actions were taken by unanimous vote:

1. Jay Taylor was designated Chairman and Federal Reserve Agent at the Federal Reserve Bank of Dallas for the remainder of the year 1942, and his compensation as Chairman and Federal Reserve Agent fixed on the uniform basis fixed for the same position at all Federal Reserve Banks, i.e., the same amount as the aggregate of the fees payable during the same period to any other director for attendance corresponding to his at meetings of the Board of directors, executive committee, and other committees of the board of directors.
2. J. B. Cozzo was appointed Deputy Chairman of the Federal Reserve Bank of Dallas for the remainder of the year 1942.
3. Dolph Briscoe was appointed a Class C director of the Federal Reserve Bank of Dallas for the unexpired portion of the three-year term ending December 31, 1944.

Letter to Mr. Creighton, Chairman of the Federal Reserve Bank of Boston, reading as follows:

"During the conference of the Chairmen of the Federal

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"Reserve Banks with the Board of Governors in the spring of 1940 the suggestion was made by the Chairmen that the Board submit to them from time to time questions involving broad general policies for discussion by their respective boards of directors and for their advice to the Board of Governors as to the conclusions reached in such discussions.

"The members of the Board of Governors are currently giving thought to the question, What should be the future of the regulation of consumer credit? Should it continue along the same general lines as now embodied in Regulation W?

"As you probably have in mind, the Regulation was adopted by the Board of Governors pursuant to an Executive Order of the President, which set forth the underlying considerations and made it clear that the Regulation was to be regarded as a step supplementing more fundamental measures designed to combat inflationary developments and otherwise to further the defense program. The Order stated among other things that it was appropriate that such credit be controlled and regulated through an existing governmental agency which has primary responsibility with respect to the determination and administration of national credit policies.

"The position has been taken by some that Regulation W would be unnecessary under a system of price-fixing and allocations or rationing. On the other hand, advisers on the consultative committee set up by the President's Order have expressed the opinion that these direct steps alone would not be adequate, even if entirely practical, and that something in the nature of selective credit controls such as those embodied in Regulation W is necessary as a supplementary measure.

"The Board will be pleased if you will discuss this matter with your directors at their convenience and advise the Board as to their views."

Approved unanimously, with the understanding that a similar letter would be sent to the Chairmen at the remaining Federal Reserve Banks.

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

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"Reference is made to your letter of January 16, 1942, and earlier correspondence, regarding the coverage of Group E of Regulation W.

"A number of other inquiries have been received regarding Group E and, all things considered, it was decided that the description of Group E should be amended so that these questions might be answered more satisfactorily. You will note that the draft of proposed amendment No. 3 (consolidated) sent you on January 23 would add the word 'residential' to the Group E description.

"It is believed that this will clarify the application of the regulation in a number of cases. However, your letter of January 16 refers to a case in which a windcharging light plant is for the use of a dwelling, and the Board is of the opinion that in such circumstances the plant would be included in Group E under both the present provision and the proposed new language."

Approved unanimously, with the understanding that a copy of the above letter would be sent to the Presidents of all the Federal Reserve Banks.

Letter to Mr. Edward A. Kelly of The E. A. Kelly Furniture Company, New Haven, Connecticut, reading as follows:

"Reference is made to your letter of December 18, 1941 which you addressed to the Office of Production Management with respect to Regulation W. Your letter has been referred to this Board, which administers the regulation.

"You describe a case in which a customer purchased various articles, including a range priced at \$159.00, but the range had to be ordered specially from the factory and has not yet been delivered. The customer has since been making payments which appear to be partly on the range and partly on the other articles, although the details of the handling of these payments are not entirely clear. It is now proposed that a range already held in stock, but selling for \$28 more, be delivered to the customer in lieu of the range originally ordered. You ask whether the entire \$28 increase must be paid in cash prior to delivery, or whether only 20% of the \$28 increase need be paid.

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"A copy of Regulation W, with amendments, is enclosed for your convenience, and you will note that under Part 2 of the Supplement the regulation in effect requires a down payment equal to 20% of the net cost of the range after deducting any trade-in allowance. In the case you describe, however, the range that was never delivered to the customer need not be counted as a trade-in, and the transaction may be treated as if the sale of the \$187.00 range were a new sale. If this is done, any payments which you have received on the sale of the original range may be applied toward the 20% down payment required on the more expensive range, and they may prove to be sufficient to meet the requirement. For your information in this connection, there is enclosed a copy of an interpretation (W-101) regarding a similar revision of a contract under the regulation.

"There is also enclosed a copy of W-71, which would be applicable if the range originally purchased had been delivered and was now being traded in on the more expensive range.

"As the administration of Regulation W is decentralized among the twelve Federal Reserve Banks, it is suggested that you may find it more convenient to address the Federal Reserve Bank of Boston if you should have any further questions."

Approved unanimously.

Letter to Mr. W. C. Smith, General Manager of The Beebe Company, Portland, Oregon, reading as follows:

"This refers to your letter of January 16, 1942, asking about the application of the Board's Regulation W to instalment credit sales of boat motors.

"If a motor is so designed that it may be used in a pleasure craft, then the credit is subject to the regulation even though the motor may actually be installed in a boat used for commercial purposes. On the other hand, if the design of the motor is such that it is only suitable for boats used commercially, then the credit is not subject to the regulation.

"As you suggest, most of the smaller types of motors can be put in any kind of a boat and so are included in

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"the classification subject to the terms of the regulation."

Approved unanimously.

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

"There is attached a copy of a letter dated January 23, 1942, from Mr. D. W. Bell, Under Secretary of the Treasury, together with copies of the enclosures referred to therein. Mr. Bell states that the information provided for in the form will permit the Secretary to keep up to date on the progress of sales of savings bonds under pay roll savings plans.

"As your Bank has previously established a pay roll allotment plan for the purchase of Defense Savings Bonds, it is assumed that you have received a copy of the letter and the form direct from the Secretary of the Treasury and that the desired information will be submitted as requested.

"In this connection, it will be appreciated if you will give the Board monthly the same information furnished the Treasury Department, in lieu of the information requested in the Board's letter dated October 11, 1941, S-372."

Approved unanimously.

Letter to Honorable D. W. Bell, Under Secretary of the Treasury, reading as follows:

"Mr. Szymczak has advised the other members of the Board of the conclusions reached during his conversation with you on January 20 as a result of experience with fiscal agency conferences. The principal points which Mr. Szymczak mentioned were as follows:

"1. That the conferences have been very useful and that the policy of rotation among the Federal Reserve Banks is a desirable one; that it would be advantageous if they were held more frequently -- at least once in twelve months and oftener if possible; and that occasionally they should be held at the larger and more important

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"branches, such as New Orleans and Detroit.

"2. That it would be desirable to have standing joint committees of representatives of the Federal Reserve Banks, the Board of Governors, and the Treasury, who would be available to meet upon call and to report to the Treasury, the Board of Governors, and the general conferences. Such committees would submit reports to the Treasury, the Board of Governors and the Federal Reserve Banks and when the reports are placed on the agenda for a general conference the Federal Reserve Banks and the Board will be given adequate time to consider them before the conference. In this connection, the size of each committee, the manner in which the membership would be determined, and the functions to be assigned to it are to be discussed shortly at the Treasury.

"3. (a) That the agenda for a conference should be transmitted to the Federal Reserve Banks and the Board of Governors at least ten days in advance of the conference; and

(b) That whenever the statement of a topic does not speak for itself, a brief explanation should be given in connection with it, so that the participants in the meeting will have an opportunity to consider the point involved before the meeting.

"4. That the Treasury will keep the Board of Governors promptly informed as to all important fiscal agency and allied questions which are taken up by the Treasury with the Federal Reserve Banks, so that the Board will be in position not only to meet its own responsibilities of supervision and coordination of Federal Reserve Bank operations but also to be helpful to the Treasury in working out any problems that may arise in connection with such matters.

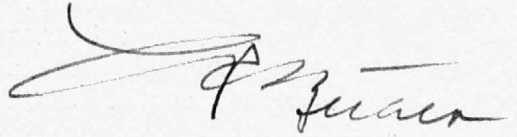
"The Board wishes me to assure you that it is in full accord with these conclusions and will cooperate in every possible way in carrying them out."

Approved unanimously.

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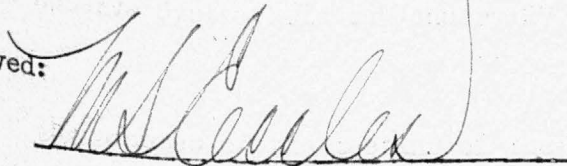
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Thereupon the meeting adjourned.



Assistant Secretary.

Approved:



Chairman.