

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, March 23, 1942, at 2:40 p.m.

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

Mr. Morrill, Secretary  
Mr. Hodgson, Administrative Assistant  
to the Chief of the Division of  
Security Loans

Mr. Ransom stated that, in accordance with the understanding at the time of the adoption by the Board of Amendment No. 3 to Regulation W, active consideration is being given to the questions of policy involved in connection with the enforcement of Regulation W and the advisability of amending the regulation in relation to (1) term loans, (2) open-book or charge-account credits, and (3) non-purpose loans. He said that certain members of the Board's staff and representatives of the Federal Reserve Banks were working with Mr. Szymczak on the problems involved in the enforcement of the regulation, that studies were progressing rapidly on the regulation of term loans, open-book accounts, and non-purpose loans, and that he expected that by April 1 definite recommendations could be made on all of these items. He added that, as a matter for the information of the other members of the Board, he had had discussions recently with Mr. F. B. Hubachek, Consultant in the Consumer Credit Control Unit of the Office of Price Administration, which indicated that there were certain questions of

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major policy under consideration in the Office of Price Administration, the determination of which might have a very important bearing upon the direction that should be given to Regulation W in the future. In view of this information, he said that any recommendations which might be made with respect to changes in the regulation would have to be related to developments which might take place between now and April 1, that the timing of changes in Regulation W might also be affected, and that he understood that the determination of the question of the policies that would be followed by the Office of Price Administration was awaiting the return of Mr. Henderson from South America.

After a general discussion of these matters, Mr. Hodgson withdrew from the meeting.

Mr. Ransom referred to the fact that some months ago an invitation had been extended to the National Association of State Bank Supervisors to meet with the Board at some convenient time. He stated that he had just received a letter from Mr. White, Superintendent of Banks of the State of New York, in which the latter advised that the executive committee of the National Association expected to meet in Washington on Saturday, April 18, 1942, and extended an invitation to him (Mr. Ransom) to meet with the committee at that time.

Mr. Ransom suggested that he would like to have Mr. McKee join him in attending the meeting with the executive committee, which suggestion was concurred in by the other members of the Board.

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The further suggestion was made, and agreed to by all of the members of the Board, that Mr. Ransom extend an invitation through Mr. White to the executive committee to use the Board Room for their meeting on April 18.

Chairman Eccles reported that recently, during the course of a conversation with Harold Smith, Director of the Budget, the latter stated that the President had asked him to undertake certain studies in the economic field in relation particularly to the problem created by rising costs and other inflationary developments; that Mr. Leland, Chairman of the Department of Economics and Professor of Government Finance at the University of Chicago and a Class C director of the Federal Reserve Bank of Chicago, was now in Washington assisting in these studies; and that it would be helpful if the assistance of someone from the Board's staff could be made available in connection with the studies. Chairman Eccles said that he had suggested Mr. Hansen as the most suitable person on the Board's staff for the purpose and that Mr. Smith indicated his pleasure at the suggestion. He said that he advised Mr. Smith that he would ask Mr. Hansen to come to Washington for a period of ten days to work with Mr. Leland. The further statement was made by Chairman Eccles that it might develop that it would be necessary for Mr. Hansen to obtain a leave of absence from Harvard for an indefinite period in order to give his full time to the studies referred to.

Chairman Eccles' action in this matter was approved unanimously, with the

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understanding that Mr. Hansen would be compensated by the Board for the additional time spent by him in these studies on the same basis as he is now receiving compensation for his part-time work for the Board.

Messrs. Eccles, Draper, and McKee reported on developments that had taken place over the week end with respect to the proposed Executive Order which was discussed at the meeting of the Board on the afternoon of March 20. It was agreed that no further action on the part of the Board was called for at this time except that developments should be watched closely and close touch maintained with the representatives of the War Department and the War Production Board who were giving the matter active attention. In this connection, Chairman Eccles reported on the discussions which he had had with Mr. Smith, Director of the Budget, in regard to the proposed Federal industrial loan corporation bill, and stated that Mr. Smith indicated the feeling that it might be well, in view of the objections which had been made by Mr. Jones, Secretary of Commerce, to clear the whole matter with the President before proceeding further, as Mr. Smith felt that it would be advisable to have an affirmative showing that the bill had administration approval and was in accordance with administration policy.

In the course of the ensuing discussion, there was some question whether approval of the proposed Executive Order would eliminate any occasion or necessity for enactment of the Federal industrial loan corporation bill, and Chairman Eccles stated that the representatives of the War Department had indicated the feeling that that would not be

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the case and that his acquiescence in the proposed Order was based on that understanding. He felt, however, that the plan contemplated by the Executive Order would be a valuable interim arrangement.

Chairman Eccles then reported in detail in connection with the negotiations with representatives of the Bureau of the Budget and the Federal Works Agency in regard to accommodations in this building for the use of the Inter-American Strategy Board. He stated that an agreement had been reached upon the assignment for this purpose of the C Street wing of the first floor, exclusive of the telegraph office, of three Board members' suites, and, on special occasions upon advance arrangement with the Secretary of the Board, for the use of the Board Room, all for a period of approximately 60 days, with the understanding that before the end of that period accommodations would be obtained elsewhere for the Inter-American Strategy Board. Chairman Eccles stated that he had received a letter from Baird Snyder, Acting Administrator of the Federal Works Agency, confirming these understandings.

The other members of the Board approved the position that Chairman Eccles had taken and the agreement which had been reached.

Chairman Eccles then referred to the discussion at the meeting of the Board on March 10, 1942, of the letters and questionnaire which had been received by the various heads of the Board's staff from Senator Tydings as Chairman of the Subcommittee of the Senate Committee on Appropriations under the provisions of Senate Resolution No. 223. Chairman

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Eccles stated that, after thinking the matter over in the light of all of the considerations involved, he had reached the conclusion that it would be preferable for the Board to take no action in the matter, with the understanding that the respective staff heads would undertake to answer the questionnaire to the best of their ability. The other members of the Board concurred in this conclusion.

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 March 21, 1942, were approved unanimously.

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

"The Board of Governors of the Federal Reserve System has considered the recommendation of the Executive Committee of your Bank contained in your letter of March 12, 1942, and pursuant to the provisions of Section 19 of the Federal Reserve Act grants permission to 'Chicago City Bank and Trust Company', Chicago, Illinois, to maintain the same reserves against deposits as are required to be maintained by reserve city banks, effective as of the date of its admission to membership.

"Please advise the bank of the Board's action in this matter, calling its attention to the fact that such permission is subject to revocation at any time by the Board of Governors of the Federal Reserve System."

Approved unanimously.

Letter to Mr. Davis, Manager of the Security Loans Department of the Federal Reserve Bank of New York, reading as follows:

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"Reference is made to your letter of March 12, 1942, regarding the question presented by Mr. Francis A. Truslow, Counsel for the New York Curb Exchange, regarding section 4(f)(4) of Regulation T.

"Section 4(f)(4) provides that in a special miscellaneous account a member of a national securities exchange may 'effect and finance, for any joint adventure in which the creditor participates, any transactions in any securities of an issue with respect to which all participants, or all participants other than the creditor, are registered and act on a national securities exchange as odd-lot dealer.' Mr. Truslow states that from time to time during the war they have cases in which a participant in such a joint account who is 'registered and acts' as odd-lot dealer in the specified securities will enter the armed forces of the United States. This presents the question whether during the period of his service in such forces -- when he necessarily is absent from the floor of the exchange -- he can be said to be 'acting' as an odd-lot dealer. If he is not considered to be so 'acting', it will be necessary for the creditor to cease carrying the account or for the odd-lot dealer to discontinue his membership in the joint account and lose any income therefrom.

"As you indicate, the question is not free from doubt. However, it is the view of the Board that if the odd-lot dealer has been acting as such for a reasonable period of time prior to his entry into the armed forces, his absence from the floor of the exchange while in such service may be considered to be due to extraordinary circumstances and, all things considered, he may still be considered to be 'acting' as an odd-lot dealer within the meaning of section 4(f)(4)."

Approved unanimously.

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

"Re Board's letter of March 21 enclosing list of automobile appraisal guides designated under Regulation W. On page 8 of list the State of Nevada should be added to

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"the territory for which the District L Edition NADA Official Used Car Guide is designated."

Approved unanimously.

Letter to Mr. Taylor, Chairman of the Federal Reserve Bank of Dallas, reading as follows:

"At the completion of the examination of the Federal Reserve Bank of Dallas, made as of January 30, 1942, 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 Gilbert.

"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.

Thereupon the meeting adjourned.

Chester Morrie  
Secretary.

Approved:

W. S. ...  
Chairman.