

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, April 13, 1942, at 11:00 a.m.

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

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 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 April 11, 1942, were approved unanimously.

Memorandum dated April 13, 1942, from Mr. Nelson, Assistant Secretary, submitting the resignation of Leonard A. Norden as a guard in the Secretary's Office, to become effective as of the close of business on May 18, 1942, and recommending that the resignation be accepted as of that date.

The resignation was accepted.

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

"Referring to your letter of April 10, 1942, both Chairman Eccles and Governor Szymczak are at present out of the city and the Board wishes, therefore, to defer action on the proposed increases in salaries as set forth in your letter until their return. When action is taken, however, it may be made retroactive to April 1, 1942.

"With reference to the last paragraph of your letter, pending action on the proposed increases the Board approves

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"payment of salaries to all officers of the Bank at the rates in effect March 31, 1942, as set forth in the statement accompanying your letter, if fixed by your Board of Directors at such rates."

Approved unanimously.

Telegram to Mr. Davis, President of the Federal Reserve Bank of St. Louis, reading as follows:

"Referring your April 10 letter, Board of Governors approves payment of salary at rate of \$7,000 per annum to Mr. John R. Longmire as Director, War Finance Agency, your Bank. Assume Mr. Longmire will have official status and, if so, please advise effective date of appointment. Otherwise, mail usual classification plan page."

Approved unanimously.

Letter to the board of directors of the "Citizens Bank", Magnolia, Arkansas, stating that, subject to conditions of membership numbered 1 to 3 contained in the Board's Regulation H, the Board approves the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of St. Louis.

Approved unanimously, together with a letter to Mr. Davis, President of the Federal Reserve Bank of St. Louis, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of the 'Citizens Bank', Magnolia, Arkansas, for membership in the Federal Reserve System, subject to the conditions prescribed in the enclosed letter which you are requested to forward to the Board of Directors of the institution. Two copies of such letter are also enclosed, one of which is for your files and the other of which you are requested to forward to the Bank Commissioner for the State of Arkansas for his information.

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"It is assumed that the Reserve Bank will follow the matter of bringing the bank's regulations with respect to notice in connection with withdrawals of savings deposits into conformity with the provisions of law and the Board's regulations.

"In his letter transmitting the bank's application to the Board, Mr. Hitt referred to reopening the question of the applicability of section 32 of the Banking Act of 1933 to Mr. L. R. Myers, a director of the bank; and in this connection, he requested information as to the data which Mr. Myers submitted to the Board when the matter was considered in 1937. That data consisted of a sheet setting forth certain figures reflecting the character of the business of Southern Securities Company, and a copy is enclosed herewith. However, there is no need to obtain such detailed figures again if other inquiries satisfy your bank that there has been no significant change in the company's business."

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

"Referring Section 5 of Regulation V, after conferring with representatives of War Department, it is suggested that, pending appointment by War Department of liaison officer to be stationed at your Bank, you adopt following procedure in submitting applications to Washington for consideration. When a case is brought to your attention, obtain report from contracting officer if he can be reached, as to applicant's ability from technical or production standpoint to perform contract, subcontract or order for war supplies or equipment and if it is believed work can be performed without loss to borrower. If borrower is a subcontractor and contracting officer cannot be reached, above report should be obtained from prime contractor. If contracting officer can be reached, obtain statement from him as to necessity of articles contracted for in the War Production program. Above information and report of investigation made by your Bank of credit standing and financial condition of applicant and character of management, together with your recommendation as to most appropriate and expeditious method of providing

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"necessary financing and terms and conditions recommended by your Bank for such financing, should be transmitted to Administrator, War Loans Committee, Board of Governors. Your report should give number assigned to contract with Government under which work is to be performed. Case will be presented promptly to War Department for consideration and you will be advised of decision reached."

Approved unanimously.

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

"In response to an inquiry from one Reserve Bank this is to advise that, while instructions of War Department under Executive Order 9112 are not for publication or distribution, there is, of course, no objection to disclosure by Reserve Banks of substance of such instructions to such extent as may be necessary in negotiations in particular cases with a view to loans or guarantees by War Department. Also, as indicated in Board's wire of April 10, pending further advice information regarding rate schedules should not be released but used only in connection with handling of actual transactions as they arise."

Approved unanimously.

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

"This is with reference to your letter of April 4, 1942, enclosing a letter dated March 26, 1942, from the Eastman Kodak Company, Rochester, New York. This letter asks whether the Velox Rapid Printer manufactured by that company is to be classified as an 'enlarger' for purposes of Group C-15 of the Supplement to Regulation W.

"The Board agrees with you that this article should not be so classified. The descriptive material which you forwarded indicates that the machine is designed for the commercial printing of photographs. While it does in fact make enlarged photographic prints, rapid printing is the principal feature of the machine rather than enlarging,

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"as is indicated by its name 'Rapid Printer'."

Approved unanimously.

Letter to Mr. Clerk, First Vice President of the Federal Reserve Bank of San Francisco, reading as follows:

"Receipt is acknowledged of your letter of March 30 regarding Part 2 of the Supplement to Regulation W.

"You state that it has been a customary practice for many jewelers to buy old gold, paying cash for it, and to regard the transaction as independent of any sale which the jeweler may make to the person selling the gold, although in some instances a customer may sell some old gold and use the proceeds for the down payment on some article such as a watch.

"Part 2 of the Supplement says that the basis price shall be the purchase price less any allowance made by the seller for any article traded in by the purchaser, including anything which the seller buys from the purchaser 'at or about the time of the purchase of the listed article'. Obviously, the principal purpose of this provision was to prevent evasion and to give effect to the substance of the transaction rather than its form. The difficulty is to distinguish between a purchase and sale which are actually separate transactions, and a so-called purchase which is actually a trade-in. When the Regulation was drafted, the time interval required by the phrase quoted above seemed to be the best means to accomplish this end.

"Accordingly, the Board believes that if the sale of the old gold and the purchase of the listed article take place at or about the same time, Part 2 of the Supplement requires the price paid for the old gold to be deducted from the purchase price of the listed article in determining the basis price.

"Of course, the phrase 'at or about the time of the purchase' is indefinite, but it must be so, since the nature of the particular transaction, the customs of the particular trade, and other factors in the case may all have a bearing upon the degree of separation which exists between the sale and the purchase."

Approved unanimously.

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Letter to Mr. Jordan H. Brantley, Texarkana, Arkansas, reading as follows:

"This will acknowledge your letter of March 31, in regard to lenders who specialize in small loans.

"While the Board is now engaged in regulating consumer credit, the scope of the regulation is determined by wartime conditions and is somewhat different from what you have in mind. The abuses you describe have generally been considered to lie in the province of State legislation. Under present circumstances, it does not seem wise to complicate the present program of regulation by the Board by attempting to extend it into a field where the possibilities of State regulation have not been exhausted.

"The Board's regulation is now aimed at conditions directly associated with the war. It is aimed at curtailing consumers' purchasing power and thus reducing the demand for consumers' goods which under war conditions can no longer be produced in adequate volume to satisfy civilian demand. However, the Board is very glad to have your comments on this subject and agrees that the problem you discuss is a very serious one."

Approved unanimously.

Mr. Ransom stated that, at his request, Mr. Kenton R. Cravens came to Washington on March 12 and 13, 1942, from Sea Island, Georgia, where he was on vacation, for consultation in connection with discussions of consumer credit problems, and that it was recommended that the Board authorize the payment of expenses incurred by him in connection with the trip in the amount of \$106.32 as shown on a voucher submitted under date of April 9, 1942.

Approved unanimously.

Chairman Eccles stated that, at his request, Mr. Kenton R. Cravens came to Washington on March 30 from Cleveland, Ohio, and

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remained until April 1, 1942, for consultation in connection with discussions relating to procedures under Executive Order No. 9112, and that it was recommended that the Board authorize the payment of expenses incurred by him in connection with the trip in the amount of \$70.03 as shown on a voucher submitted under date of April 9, 1942.

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morris  
Secretary.

Approved:

Donald Hanson  
Vice Chairman.