

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, April 14, 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 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 April 13, 1942, were approved unanimously.

Memorandum dated April 9, 1942, from Mr. Nelson, Assistant Secretary, recommending (1) that the temporary appointment of Adam V. Hauser as a chauffeur in the Secretary's Office be made permanent, effective April 16, 1942, with the understanding that, should Mr. Wilkinson return to the Board's employ after the war, Mr. Hauser would remain in his position as chauffeur but would no longer be in charge of the chauffeur force, and (2) that the temporary appointment of William Hyde as a porter in the Secretary's Office be made permanent, effective April 16, 1942, with the understanding that such action would not affect his present temporary assignment to the guard force.

Approved unanimously.

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Memorandum dated April 9, 1942, from Mr. Nelson, Assistant Secretary, recommending that Miss Mildred Crews be transferred from the Office of the Secretary to the Office of Governor Draper in the Board Members' Section as a stenographer, with no change in her present salary at the rate of \$1,860 per annum, effective as of April 16, 1942.

Approved unanimously.

Memorandum dated April 10, 1942, from Mr. Wyatt, General Counsel, recommending that the salary of Mrs. Frances C. Cashell, a stenographer in the Office of General Counsel, be increased from \$1,680 to \$1,800 per annum, effective May 1, 1942.

Approved unanimously.

Memorandum dated April 10, 1942, from Mr. Smead, Chief of the Division of Bank Operations, recommending that Thomas M. Parsons, Associate Technical Assistant in that Division, be granted leave of absence without pay beginning April 16, 1942, so that he might enter active duty with the United States Army, 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.

Letter to Mr. Leach, President of the Federal Reserve Bank of Richmond, reading as follows:

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"This refers to Mr. Mercer's letter of April 7, 1942, asking for a ruling on the question whether an executive officer of a member bank who has been granted a leave of absence of more than one year may borrow from his bank in excess of \$2500, the loan to mature prior to the expiration of his leave of absence. The opinion of counsel for your bank in connection with this matter has been noted.

"The question presented is rather unusual. The executive officer could resign in lieu of taking a leave of absence or the board of directors of the bank could adopt a resolution providing that such officer is not authorized to participate in the operating management of the bank, and in either case section 22(g) of the Federal Reserve Act would not prevent the making of the loan in question.

"In the circumstances, the Board does not wish to make a ruling which might be regarded as having general application to cases of a similar kind. While Mr. Mercer's letter does not refer to the bank or the officer in question, it is assumed that you are familiar with the circumstances at the particular bank and if you are satisfied that the loan is to be made in good faith, the Board will not interpose any objection to it."

Approved unanimously.

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

"Re Board's wires of April 10 and 13 stating that pending further advice, information regarding rate schedules in connection with operations under Executive Order 9112 'should not be released but used only in connection with handling of actual transactions as they arise' this is to advise that while such rate schedules are not for publication or general distribution, there is no objection to disclosure of the information contained in such schedules by Reserve Banks to banks and other financing institutions upon request or in discussions at meetings with representatives of such institutions."

Approved unanimously.

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

"Enclosed is a copy of a letter which the Board sent, on April 10, to Mr. Meffley of the Recording and Statistical Corporation. Mr. Meffley was here on April 2 and indicated that he was not particularly concerned about the designation of his Official Automobile Guide for purposes of Regulation W but that he was disturbed about the possible unfavorable reaction of his insurance customers to a publication that the Board refused to designate. He then wrote us setting forth his views more explicitly, in response to which the Board sent him the enclosed letter.

"With further reference to the designation of guide books for purposes of Regulation W, we have noted that the April-May issue of the 'Market Record' includes the following sentence:

'The Federal Reserve Board has just notified us that MARKET RECORD has been designated for compliance with Regulation W, and that prices appearing in ALL editions are acceptable.'

It seems to us that the latter part of this sentence carries an implication that the 'Market Record' has in some way a better official standing than other designated guides, and it would seem desirable if this implication were eliminated in future issues. It will be appreciated if you will find an occasion, between now and the date when the June-July issue goes to press, to bring this point to the attention of the publishers of the 'Market Record'."

Approved unanimously.

Letter to Mr. R. Leslie Kelley, Editor and Publisher of the Kelley Blue Book, Los Angeles, California, reading as follows:

"This will acknowledge your letter of April 7 calling our attention to the fact that some guide books designated for purposes of Regulation W refer to their designation in a manner that may imply that they are the only designated publication. The Board has not issued any more detailed requests with respect to the publishers' treatment of this subject than the requests that were included in the letters of March 21 to the respective

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"publishers. As a general principle, the Board feels that the use of designations under Regulation W in a promotional way to advance the interests of a particular guide book is distinctly undesirable, and the Board hopes that publishers will refrain from such use of their designations because it wishes to avoid the necessity of specifying in detail the language and methods that publishers may use if they wish to retain their designations.

"We have also received the copy of the letter that you sent to all publishers of designated books in your territory, and we are, of course, holding this copy pending anything further that may develop on this subject."

Approved unanimously.

Letter to Mr. R. H. Shaw, President of The Peoples State Bank, Cherryvale, Kansas, reading as follows:

"This refers to your letter of April 2, 1942, in which you state that last December your Bank made a floor plan loan on a new pick-up and that it now develops that the Reconstruction Finance Corporation will not relieve you of the loan. You state that you see no fairness in this situation and think that an order should be issued that would permit the sale of the truck or that steps should be taken to relieve the Bank of the loan.

"I regret to have to advise you that there does not appear to be any action which the Board of Governors of the Federal Reserve System can take to aid in the solution of this troublesome problem, since the matter is entirely outside the Board's jurisdiction. The Reconstruction Finance Corporation is not a part of the Federal Reserve System but is an entirely separate and distinct organization over which the Board has no jurisdiction or control. Likewise, the Office of Price Administration, which issued the order forbidding the sale of motor vehicles except to persons holding certificates entitling them to purchase the same, is a separate and distinct organization over which the Board of Governors of the Federal Reserve System has no jurisdiction or control.

"It may interest you to know that this problem is receiving attention in Congress. There is enclosed for your

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"information a copy of a Bill, S. 2315, which was prepared by the Special Committee to Study Problems of American Small Business and introduced in the Senate on February 25, 1942 by Senator Murray, the Chairman of that Committee. This bill was referred to the Committee on Banking and Currency, which started holding hearings on it on April 8, 1942 and has already heard testimony on this subject by representatives of the Retail Automobile Dealers Association. An almost identical Bill, H. R. 6859, was introduced in the House of Representatives on March 26, 1942 and referred to the Committee on Banking and Currency of the House of Representatives.

"We hope that this information will be of some assistance to you."

Approved unanimously.

Memorandum dated April 14, 1942, from Mr. Cravens, Administrator for the War Loans Committee, submitting for approval by the Board a budget in the amount of \$14,742.26 covering the estimated requirements for funds to cover the cost of operating the office of the Administrator for the period April 6 to December 31, 1942, inclusive.

The budget was approved unanimously.

Thereupon the meeting adjourned.

Chester Moriel
Secretary.

Approved: Donald H. Quinn
Vice Chairman.