

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Saturday, May 23, 1942, at 11:00 a.m.

PRESENT: Mr. Eccles, Chairman  
Mr. Szymczak  
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 May 22, 1942, were approved unanimously.

Memorandum dated May 19, 1942, from Mr. Goldenweiser, Director of the Division of Research and Statistics, submitting the resignation of Mrs. Isabelle N. Rhodes as a clerk in that Division, to become effective as of the close of business on May 31, 1942, and recommending that the resignation be accepted as of that date.

The resignation was accepted.

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

"For your information, there are set forth below the answers to certain questions that have arisen in connection with guarantees made by the Federal Reserve Banks as fiscal agents of the United States, pursuant to Executive Order 9112 of March 26, 1942.

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"1. In submitting applications for guarantees of loans made pursuant to Executive Order 9112, please include in all instances your recommendation as to the rate of guarantee fee to be charged.

"2. In order that the practice with respect to the collection of guarantee fees may be substantially uniform throughout the System, it is suggested that where practicable the loan agreement provide for the payment of such fees at quarterly intervals.

"3. It is understood that in some instances the Federal Reserve Banks have experienced considerable difficulty in obtaining adequate statements from procurement officers with respect to applications for guarantees. It is not expected that the procurement officers will be asked to make formal certifications to the Federal Reserve Banks, but that they will furnish the Reserve Banks, in writing, such information as they have with respect to the applicant's ability to perform the contract and the need for fulfillment of the contract in the prosecution of the war. The submission of applications to Washington should not be delayed because of the inability to obtain as complete information from procurement officers as might be desirable.

"4. In order that the War Department, Navy Department, and Maritime Commission may have adequate information with respect to the terms and conditions under which loans are made or guaranteed on their behalf, it will be appreciated if you will have financing institutions furnish you with two copies of any loan agreement that is executed and forward one copy thereof to the Board for transmission to the War Department, Navy Department, or Maritime Commission, as the case may be."

Approved unanimously.

Telegram to Mr. Fleming, President of the Federal Reserve Bank of Cleveland, reading as follows:

"Retel May 21, question of authorizing deposits of advance payments in banks not members of the Federal Reserve System was discussed in detail with representatives of War Department recently. At that time War Department representatives decided not to authorize deposits of

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"advance payments in banks not members of Federal Reserve System. We have been advised by representative of the War Department that the policy in this respect is still having consideration, but no change in the immediate future is to be expected."

Approved unanimously.

Telegram to Mr. Hays, Vice President of the Federal Reserve Bank of Cleveland, reading as follows:

"Retel May 19, Board does not believe that electrical hearing devices are included under Item 14, Group A, or elsewhere among listed articles."

Approved unanimously.

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

"In your letter of May 18, 1942 you ask whether it is permissible under the \$5 minimum monthly instalment requirements of Regulation W for the last payment under an instalment contract to be less than \$5 or whether it is necessary that the maturity be reduced and the instalments increased in order to avoid having a final payment of less than \$5.

"Your opinion that the last payment may be less than \$5 is correct and conforms to the Board's view expressed in S-479."

Approved unanimously.

Letter to Mr. Robert Bunch of the Peoples Cash Store, Mt. Olive, Mississippi, reading as follows:

"Thank you for your letter of May 13, 1942, calling attention to a possible way in which customers can avoid the impact of the charge account control under Regulation W. You suggest that a customer in default at one store will ask for and obtain credit at another.

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"This problem has been recognized but a completely satisfactory solution has not been found. It has been thought that the avoidance through this channel would not be so large as to impair the general effect of the control, particularly if we allow for whatever may be done by the merchants in a community, by voluntary action, to prevent this result.

"The matter, however, is under continuing study and we are glad to have your comment. You also suggest a tax on past due accounts and assistance to the merchants in collecting them. These suggestions will be given careful consideration.

"Since administration of Regulation W is decentralized among the Federal Reserve Banks, and you are in the district served by the New Orleans Branch of the Federal Reserve Bank of Atlanta, we suggest that any further communication you may wish to send on the subject be addressed to that office. The address is Carondelet and Common Streets, New Orleans, Louisiana."

Approved unanimously, together with a similar letter to Mr. Julius Erlanger of The Wm. Erlanger Company, East Liverpool, Ohio.

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

"In the Board's letter of May 24, 1937, X-9895, (Federal Reserve Loose-Leaf Service #3826) it was stated that, effective June 1, 1937, mimeographed communications to the Federal Reserve Banks would be assigned numbers in the S and R series, respectively. S-numbers were to 'be assigned to all mimeographed communications sent to all Federal Reserve Banks which contain rulings and interpretations of the statutes and the Board's regulations, and instructions relating to policy or administrative matters', and R-numbers were to 'be assigned to all routine mimeographed matters, statements, press releases, etc., sent to all Federal Reserve Banks'.

"In recent months this procedure has been departed from to some extent in order to avoid the large distribution

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"which R letters receive. At present we are furnishing the twelve Reserve Banks altogether about 250 copies of every S and R letter, which gives undue distribution to many letters and entails in the aggregate an excessive handling and consumption of paper. It has frequently happened, for example, that a legislative document was sent to each Federal Reserve Bank with a covering letter, 250 duplicates of which, as R letters, were distributed without enclosing the document which was the occasion for the letter--the reason being that only twelve copies of the document may have been obtainable. Even more frequently, copies of telegrams or letters embodying instructions of importance only to departments directly concerned are distributed in ten or twenty times the volume necessary.

"Accordingly it is planned to discontinue the distribution of mimeographed letters in quantities as a regular practice, and to follow the principle that a mimeographed letter sent to all Federal Reserve Banks is not different from a typed letter sent to any one Bank. Mimeographing avoids the necessity of typing, verifying, and signing twelve original, identical letters and is therefore an economy; we wish to avoid defeating its purpose by making it the occasion for a wasteful duplication.

"The procedure we plan to observe is as follows:

"1. In the case of letters and telegrams assigned numbers of the S series in accordance with present procedure, the regular practice will be to send three copies only to each Federal Reserve Bank in addition to the addressed copy sent each President. This provides a copy for files, a copy for the department concerned with the subject of the letter, and a copy for circulation, if necessary. The Board will, of course, continue to include S letters in the Federal Reserve Loose-Leaf Service and in addition will be glad to forward a copy of each S letter directly to each branch of a Federal Reserve Bank.

"2. In the case of other mimeographed letters, one addressed copy only will be sent the President of each Federal Reserve Bank, the procedure being the same as if the letter were not mimeographed.

"3. The R series of numbers will be discontinued.

"4. In case any particular communication obviously calls for wide distribution, a supply may be furnished in anticipation of the need. This applies particularly to interpretations, which can be furnished in quantities as at present.

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"While the foregoing procedure will on occasion make it necessary for a Reserve Bank to duplicate a communication, for distribution to its own staff, it is believed such occasion will be rare. In formulating this procedure, it is recognized that economies should not be attempted by the Board if they necessitate more than offsetting expenditures at the Banks. But it is also recognized that practices which have been justifiable under normal conditions may be properly subjected to drastic changes under war conditions.

"Before changing our procedure in the direction indicated, it will be appreciated if you will advise the Board whether the proposed changes meet with your approval and whether you would see objection to putting them into effect beginning June 1, 1942."

Approved unanimously.

Letter to Mr. H. H. Addams, Cashier of The First State Bank of Hotchkiss, Hotchkiss, Colorado, reading as follows:

"This is in reply to your letter of May 18 acknowledging receipt of the formal certificate of membership recently sent you and inquiring whether it is necessary that the certificate be posted in the lobby of the bank.

"There is no such requirement. The certificate is sent purely as a courtesy and the question of whether it is displayed in the banking quarters is a matter for determination by each bank."

Approved unanimously.

Letter to Senator Lister Hill, reading as follows:

"This refers to your letter of May 4, 1942 enclosing a copy of a letter received by you from Mr. Charles Doyle Pinkard, Route 4, Albertville, Alabama, dated May 1, 1942, regarding a charge of 15 cents each made by the Albertville National Bank, Albertville, Alabama, for the cashing of veterans' checks. While not clear, it is assumed that the checks involved are veterans' compensation checks drawn on the United States Treasury.

"Under the provisions of section 13 of the Federal Reserve Act, national banks and other member banks may make reasonable charges, to be determined and regulated by the Board of Governors of the Federal Reserve System, but in

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"no case to exceed 10 cents per \$100 or fraction thereof based on the total of checks and drafts presented at any one time, for collection or payment of checks and drafts and remission therefor by exchange or otherwise; but no such charges shall be made against the Federal Reserve Banks.' No regulations have been issued by the Board of Governors pursuant to this provision of law.

"A national bank, therefore, may make exchange or collection charges with respect to United States Government checks, as well as with respect to other checks; but such a charge may not exceed the amount stated in the law, i.e., 10 cents per \$100 or fraction thereof based on the total of checks and drafts presented at any one time.

"It is hoped that the above explanation will serve to answer Mr. Pinkard's inquiry. A copy of this letter is enclosed for transmittal to Mr. Pinkard if you so desire.

"In accordance with your request, Mr. Pinkard's letter is returned herewith."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morris

Secretary.

Approved:

W. C. ...

Chairman.