

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Saturday, June 13, 1942, at 11:45 a.m.

PRESENT: Mr. Eccles, Chairman
Mr. McKee
Mr. Draper

Mr. Morrill, Secretary
Mr. Bethea, 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:

Memorandum dated June 12, 1942, from Mr. Nelson, Assistant Secretary, recommending (1) that Dean E. Brundage and Carl J. Gellogg, elevator operators, be promoted to the position of page in the Secretary's Office, with an increase in their salaries from \$1,200 to \$1,260 per annum, effective as of June 16, 1942, and (2) that James F. Bird and Donald A. Hurst be appointed as elevator operators in the Secretary's Office on a temporary basis for an indefinite period, with salaries at the rate of \$1,200 per annum, effective as of the date upon which they enter upon the performance of their duties after having passed satisfactorily the usual physical examination.

Approved unanimously.

Memorandum dated June 11, 1942, from Mr. Nelson, Assistant Secretary, recommending (1) that Mrs. Grace Phillips be appointed as a file clerk in the Secretary's Office, with salary at the rate of \$2,000 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed satisfactorily the

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usual physical examination, and (2) that the following increases in salaries of employees in the files section of the Secretary's Office be approved, effective as of June 16, 1942:

<u>Name</u>	<u>Designation</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
Esther G. Crews	File Clerk	\$1,920	\$2,040
Bernice O'Brien	File Clerk	1,860	2,040
Vivian K. Haislip	File Clerk	1,620	1,740
Margery D. Maize	File Clerk	1,620	1,740
Thelma E. Ward	File Clerk	1,500	1,620
Mary M. Jacobs	Junior File Clerk	1,440	1,560

Approved unanimously.

Letter to the board of directors of the "Tipton Farmers Bank", Tipton, Missouri, 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, for transmission through the Federal Reserve Bank of St. Louis.

Letter to the board of directors of the "Seguin State Bank & Trust Co.", Seguin, Texas, stating that, subject to conditions of membership numbered 1 to 6 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 Dallas.

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The letter also contained the following special comment:

"It is understood that the bank is to discontinue handling trust business until a sufficient volume is available to justify the expense of installing the necessary records but that it has some potentially profitable business which may be acquired later and the management wants the bank admitted to membership on the same basis as banks exercising fiduciary powers so that it will be in position to accept new accounts at any time. The examiner expresses the opinion in this connection that the bank has the facilities and that the management is qualified to conduct a trust department satisfactorily. In the circumstances, therefore, and with the understanding that, when it is decided to accept trusts again, steps will be taken by the bank to provide the necessary organization and equipment to insure efficient administration of the accounts, the Board has prescribed the standard trust conditions which are prescribed for all banks coming into membership and exercising fiduciary powers, and it will not be necessary under the provisions of condition of membership numbered 1 for the bank to obtain the Board's permission to accept new trust business.

"It appears that the bank possesses certain powers which are not being exercised and which are not necessarily required in the conduct of a banking and trust business, such as the powers to guarantee securities and to act as surety. Attention is invited to the fact that, except for fiduciary powers, if the bank desires to exercise any powers not actually exercised at the time of admission to membership, it will be necessary under condition numbered 1 to obtain the permission of the Board of Governors before exercising them. In this connection the Board understands that there has been no expansion in the scope of the corporate powers exercised by the bank since the date of its application for membership."

Approved unanimously, for transmission through the Federal Reserve Bank of Dallas.

Memorandum dated June 9, 1942, from Mr. Goldenweiser, Director of the Division of Research and Statistics, reading as follows:

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"We have received the attached request from the Division of Civilian Supply of the War Production Board that we now collect monthly statistics of department store inventories by departments instead of the quarterly statistics begun last October at that Division's request. These data are currently needed by the War Production Board and the Office of Price Administration for the determination of policies in connection with control of inventories and rationing of goods for civilian use. Under the circumstances it seems desirable that we obtain this additional information for the present, and there are attached, for Board approval, letters to Mr. Henderson of the Office of Price Administration, Mr. Weiner of the War Production Board, and the Federal Reserve Banks explaining the procedure that we propose to follow.

"We have consulted with representatives of the War Production Board and the Office of Price Administration, where the data are likewise used extensively, and have tentatively agreed upon the program which is set forth in the attached letters.

"It is likely that the extension of this service, together with others recently inaugurated, will require expansion in personnel at some of the Banks. In view of the importance of the information, such additional expenditure would seem justifiable. In this connection your attention is called to the last paragraph of the proposed letter to the Federal Reserve Banks."

Approved unanimously. The letter to the Presidents of all the Federal Reserve Banks, which it was proposed would be sent after approval of the suggested procedure by Mr. Leon Henderson, Administrator of the Office of Price Administration, and Mr. Joseph Weiner, Deputy Director of the Division of Civilian Supply of the War Production Board, was in the following form:

"The War Production Board and the Office of Price Administration have indicated a need for monthly information regarding department store stocks by departments. To provide such information, the Board has been asked to change the present reporting system from a quarterly to a monthly basis. We should like to aid these agencies in obtaining the desired information. It is contemplated that the

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"collection of monthly data would begin with sales during June and stocks as of June 30. Instructions relative to the collection of monthly data and the transmittal of reports to the Board are attached.

"Members of the Board's Division of Research and Statistics have met with representatives of the interested war agencies and have discussed with them the need for such statistics, their use, and the best methods of obtaining them. These agencies have the authority, as a matter of law, to require such reports as they may need in the performance of their duties. They agree, however, with our view that it is preferable to make use of the arrangements already established by the Reserve Banks for collecting these data and believe that information thus obtained will adequately serve their present purposes. Collection of the data through the Reserve System would afford the reporting stores an opportunity to continue making their reports on a voluntary basis and through the familiar channels of an agency that has had long experience with the problems of gathering and interpreting this kind of information. All leading department stores should report these data and it is believed that if this situation is properly understood full cooperation will be obtained.

"As in the past, it is contemplated that the information will be made available outside the System only in such form as will not disclose the figures for individual stores, and the System will not be called upon to engage in any policing activities on the basis of the department store inventory reports. The purpose of the monthly figures is to provide responsible war agencies--particularly those concerned with civilian supply and price controls--with more current and detailed information for use in the formulation and administration of policies for which those agencies will be fully responsible. If, in the future, the need for individual store reports arises, the entire matter will be reconsidered, particularly the question of Federal Reserve participation in such a collection system.

"In view of personnel losses and the increase in statistical work at the Reserve Banks because of war conditions, it may well be that clerical and perhaps other additions to the Banks' statistical staffs will be necessary. Inasmuch as this and other recently inaugurated projects seem essential at this time, provision should be made to insure that they are carried out as promptly and as efficiently as possible. If increases in the budget for your statistical and analytical department are necessary,

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"we shall be glad to consider them as soon as they are submitted.

"Future correspondence relating to this inquiry should be addressed to the Division of Research and Statistics."

Letter prepared for the signature of Chairman Eccles to Honorable Robert P. Patterson, Under Secretary of War, reading as follows:

"I received this morning your letter of June 12, confirming our telephone talk of yesterday, concerning the space now occupied by the Inter-American Defense Board.

"We are agreeable, as you say, to leave it to the War Department to decide whether the space assigned to the Inter-American Defense Board is used by the joint Brazil-United States Defense Commission and we have agreed that notwithstanding the expiration of the original period of two months they may occupy the space until the end of June, but the northwest wing, containing about 5600 square feet, is to be vacated not later than the first of July as we are in need of it for other purposes. This will leave the area in the northeast wing, consisting of about 5300 square feet now occupied by the Inter-American Defense Board, (including the conference room) for the use of either the Inter-American Defense Board or the Joint Brazil-United States Defense Commission, or both, as the War Department may decide, until that space is needed for our work, of which we will of course give reasonable notice.

"This is the understanding that you and I reached over the telephone yesterday."

Approved unanimously.

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

"There is enclosed a copy of 'Air Raid Protection Code for Federal Buildings and their Contents Part II'. In transmitting the Code the Commissioner of Public Buildings referred to Section 602 providing for the designation of a Defense Coordinator for a building or a project and requested that the superintendent or custodian be designated as Defense Coordinator. In addition, the Protective Construction Unit of the Public Buildings Administration has advised the Board that it is developing an

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"inventory of Federally-owned buildings and leased quarters in connection with the safeguarding, from subversive hostile acts and overt acts of aggression, of public buildings and property as required by Public Law 528, 77th Congress, approved April 28, 1942.

"It is noted that Section 103 of the enclosed Code provides that it shall apply to all buildings or parts of buildings owned, leased, or occupied by the Federal Government or by any of its agencies, together with the contents of such buildings. In this connection the Board wrote the Commissioner of Public Buildings on December 31, 1941, that the Federal Reserve Banks and Branches perform a large variety of fiscal agency, custodianship, and depository operations for the United States Treasury and other departments and agencies of the Government. As indicated in previous letters, the Public Buildings Administration appears willing to extend its services to the buildings owned and occupied by the Board and by the Federal Reserve Banks, and the Board believes that the Federal Reserve System should cooperate in activities of the Public Buildings Administration with regard to protection of public buildings and property. Accordingly, it will be appreciated if you will furnish the Board with the name and address of a Defense Coordinator for each building owned or leased by your Bank and utilized partly or wholly in connection with fiscal agency, custodianship, and depository operations. Also, please have the enclosed questionnaire form or forms filled out and returned to the Board at your early convenience. We shall be glad to obtain additional copies of the 'Air Raid Protection Code' if desired."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morris

Secretary.

Approved:

W. C. C. C.

Chairman.