

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Saturday, July 25, 1942, at 11:30 a.m.

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

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 July 24, 1942, were approved unanimously.

Memorandum dated July 22, 1942, from Mr. Morrill, recommending that John F. Horrigan be appointed as a guard in the Secretary's Office on a temporary basis for an indefinite period, with salary at the rate of \$1,380 per annum, effective as of the date upon which he enters upon the performance of his duties after having passed satisfactorily the usual physical examination.

Approved unanimously.

Letter to the board of directors of the "First Union Bank and Trust Company", Winamac, Indiana, 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 Chicago.

7/25/42

-2-

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

"The Board of Governors of the Federal Reserve System approves the application of the 'First Union Bank and Trust Company', Winamac, Indiana, 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 Director, Department of Financial Institutions for the State of Indiana, for his information.

"It is understood that in the State of Indiana trust funds deposited in the banking department of a bank are preferred claims in event of liquidation of the bank. Therefore, you are authorized in accordance with the general authorization previously granted by the Board to waive compliance with condition of membership numbered 6 until further notice.

"It has been noted that you have obtained assurances that action will be taken at the next shareholders' meeting to eliminate any question as to the validity of the increase of the bank's capital from \$50,000 to \$100,000 in 1931 and that copies of the pertinent legal documents will be furnished at that time. It is assumed that you will compute the amount of Federal Reserve Bank stock to be issued to the bank upon its admission to membership upon the basis that its capital is \$100,000."

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

"There is transmitted herewith a photostat of a memorandum dated July 22, 1942, addressed to the Board by Brigadier General A. H. Carter, Director, Fiscal Division, Services of Supply, War Department, relating to the decentralization of authority with respect to guarantees and loans in accordance with Executive Order No. 9112.

"Reports on Form F.R. 577, referred to in paragraph two of General Carter's memorandum should continue to be forwarded to the Board of Governors for transmittal to the War Department."

Approved unanimously.

7/25/42

-3-

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

"Replying your wire of July 22 and telephone conversation re charge sales for deferred delivery. Section 12(d) of Regulation W permits Registrant to treat extension of credit as not having been made until date of delivery of article in any case involving bona fide plan by which purchaser makes one or more payments on article before delivery. Of course, if the payments made before delivery are insignificant in amount, or if they are delayed until immediately prior to delivery, the plan would not be permitted by section 12(d) because it would not be 'bona fide'.

"Another type of transaction is discussed in third paragraph of Board's letter S-530 stating that entire amount may be charged to customer's account on date of delivery and billed to customer thereafter in any case in which the 'sale' is in fact merely a contract to make a sale at a future date and the actual sale occurs on the date of delivery. Determination of question whether the 'sale' is an actual sale or is merely a contract to make a sale depends on facts of case and on applicable law."

Approved unanimously.

Letter to Mr. Woolley, Vice President and Secretary of the Federal Reserve Bank of Kansas City, reading as follows:

"Further reference is made to our telegram of July 20, 1942. We now enclose copies of correspondence we have had with Honorable Wendell Berge, Assistant Attorney General, and Mr. Joseph Votava, United States District Attorney at Omaha, Nebraska.

"You will note that the Department of Justice takes serious account of this matter. The Board is also very much concerned with it both from the standpoint of the misrepresentation which is involved and from the standpoint of the injury such a practice will do the System and its program.

"Will you, therefore, please contact Mr. Jackson promptly and obtain from him, if possible, a list of the parties to whom he has sold this service as well as such assurances of his future intentions as he is willing to give. The Board would like very much to report to the

7/25/42

-4-

"Department of Justice that Mr. Jackson has been contacted and that, upon having the objectionable features of his plan pointed out, he has decided to abandon future sales of the service and to rescind those which have been made."

Approved unanimously.

Letter to Honorable Elmer Davis, Director of the Office of War Information, reading as follows:

"We have received in the Board's offices a number of copies of Regulation Number One issued by the Office of War Information relating to policy and procedure in connection with war information.

"The Board of Governors has reviewed its information program. Aside from press releases issued from time to time covering specific actions taken by the Board, this program consists of the publication in regular press releases and in the monthly Federal Reserve Bulletin issued by the Board of banking and business information and statistics. The distribution of chart and text books and reprints from the Federal Reserve Bulletin relating to credit and monetary matters has been substantially curtailed. All of the information included in the current program is believed to be of assistance to the banking and business public and should be continued. However, it is being watched closely and should it be found that any part of the Board's information work conflicts in any way with the policy laid down in the regulation, appropriate action will be taken promptly.

"Pursuant to the provisions of section 2(c) of the regulation, the Board of Governors has designated Mr. Elliott Thurston, Special Assistant to the Chairman, as its representative with authority to cooperate with the Office of War Information in expediting the handling of classes of war information requiring central clearance.

"In order that the 12 Federal Reserve Banks may be informed, a copy of the regulation is being sent to them today with a letter calling particular attention to section 12 relating to information in the field."

Approved unanimously, together with a letter to the Presidents of all the Federal Reserve Banks transmitting copies of the above letter and Regulation Number One issued by the Office of War Information.

7/25/42

-5-

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

"This refers to your letter of July 18 in which you set forth certain problems which will be involved in supplying currency to the new induction center at Camp McCoy, Sparta, Wisconsin.

"We have discussed this matter with Mr. Batchelder of the Treasury Department and he in turn has discussed it with the Finance Division of the War Department. Since, as you state, no bank in the area can provide an excess balance sufficient to handle currency requirements for the above camp, which might involve shipments of \$1,000,000 to \$1,500,000, it would seem that the best way for your Bank to supply the currency would be to ship it direct to Camp McCoy. The cost of such shipments would, of course, under present procedure, be borne by the War Department.

"We have given the question of costs some consideration and we see no reason why the Federal Reserve Banks should absorb shipping charges on currency shipments, other than those to member banks. In case the army authorities at Camp McCoy need any further information with respect to obtaining necessary currency for pay roll purposes, it is assumed that they will communicate with the Chief of Finance, War Department."

Approved unanimously.

Thereupon the meeting adjourned.

Robert Morrie
Secretary.

Approved:

W. C. ...
Chairman.