

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, August 21, 1942, at 11:00 a.m.

PRESENT: Mr. Ransom, Vice Chairman
Mr. Szymczak
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 hereinafter referred to was taken by the Board:

Telegrams to Mr. Paddock, President of the Federal Reserve Bank of Boston, Messrs. Treiber and McCreedy, Secretaries of the Federal Reserve Banks of New York and Philadelphia, respectively, Mr. McLarin, President of the Federal Reserve Bank of Atlanta, Messrs. Dillard and Stewart, Secretaries of the Federal Reserve Banks of Chicago and St. Louis, respectively, Mr. Gilbert, President of the Federal Reserve Bank of Dallas, and Mr. Hale, Secretary of the Federal Reserve Bank of San Francisco, stating that the Board approves the establishment without change by the Federal Reserve Banks of St. Louis and San Francisco on August 18, by the Federal Reserve Bank of Atlanta on August 19, by the Federal Reserve Banks of New York, Philadelphia, Chicago, Dallas, and San Francisco on August 20, 1942, and by the Federal Reserve Bank of

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Boston today, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Memorandum dated August 18, 1942, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that Miss Helen Jean Kallio be appointed as a clerk-stenographer in that Division, with salary at the rate of \$1,800 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed satisfactorily the usual physical examination.

Approved unanimously.

Memorandum dated August 20, 1942, from Mr. Leonard, Director of the Division of Personnel Administration, (1) submitting the resignation of Miss Mary A. Sullivan as substitute nurse in that Division, to become effective as of the close of business on August 21, 1942, and recommending that the resignation be accepted as of that date, and (2) recommending that, subject to approval of the Board's examining physician from the standpoint of her physical condition, Mrs. Helen F. Braden be appointed as substitute nurse in the Division of Personnel Administration, with compensation at the rate of \$6.00 per day for each calendar day worked, including Sundays and holidays falling between days worked.

The resignation of Miss Sullivan was accepted and the appointment of Mrs. Braden was approved unanimously.

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Memorandum dated August 19, 1942, from Mr. Thomas, Assistant Director of the Division of Research and Statistics, submitting the resignation of Miss Elizabeth V. Rumsey as a clerk in that Division, to become effective as of the close of business on August 31, 1942, and recommending that the resignation be accepted as of that date.

The resignation was accepted.

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

"In accordance with the request contained in your letter of August 12, 1942, the Board approves the appointment of William Dale Clifford as an examiner and the appointment of Gilbert Clark as an assistant examiner for the Federal Reserve Bank of Cleveland. Please advise us of the dates upon which these appointments become effective and also as to the salary rates."

Approved unanimously.

Letter to Mr. Hitt, First Vice President of the Federal Reserve Bank of St. Louis, reading as follows:

"In accordance with the request contained in your letter of August 14, 1942, the Board approves the appointment of Maurice LeRoy Mueller as an assistant examiner for the Federal Reserve Bank of St. Louis. Please advise us of the date upon which the appointment becomes effective."

Approved unanimously.

Letter to Colonel John C. Mechem, Chief of the Miscellaneous Branch, Fiscal Division of the War Department, reading as follows:

"During the discussion in your office of vouchers submitted by the Federal Reserve Banks requesting reimbursement for expenses incurred for the period April 16

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"to May 31, 1942, on behalf of the War Department pursuant to Executive Order No. 9112, you asked that we give you a general memorandum in explanation of how charges for various expense items were determined.

"For your information, the following is quoted from the minutes of the Presidents' Conference, held in Washington on Monday, June 22, 1942, as follows:

**"GUARANTEED LOANS UNDER EXECUTIVE ORDER NO. 9112
AND REGULATION V.**

"The question of expenses and their allocation was discussed. Mr. Fleming* reported that at the request of the Board of Governors, dated May 4, 1942 (R-982), the following outline of the procedure for allocating expenses was submitted on June 9, 1942:

1. Salaries of Employees:
 - (a) A record is maintained by each employee for the time consumed on each loan or application, and this is appropriately charged to the War Department, Navy Department, and/or Maritime Commission.
 - (b) The ratio of hours chargeable to each unit to the total hours worked is the percentage of the individual salary which is charged to the respective expense units.
2. Salaries of Officers: Are allocated on the basis of the percentage of time spent on each unit by all employees assigned to duties under Executive Order No. 9112.
3. Overtime: Daily time sheets are maintained for each employee. If there is overtime, a notation is made as to the reason for it and a charge is made to the appropriate unit.
4. Retirement: Is based on salaries after determining the allocation as outlined in paragraphs 1(b) and 2.
5. Traveling Expense: Is charged to the appropriate expense unit.
6. Postage:)
Printing, Stationery and) Charged to units direct
Office Supplies:) on a usage basis.
7. Telephone and Telegraph:)
Commercial Agency Credit Reports) Charged to appropriate units.
and Services:)
Legal fees:)

*Mr. Fleming was Chairman of the Presidents' Conference Committee on reimbursable expenses.

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- "8. Furniture and Equipment: Rental of bank-owned furniture and equipment is on a percentage basis, according to number of employees, as determined under paragraph 1(b).
9. Space: The principal space used for Executive Order No. 9112 operations is that occupied by the Loans, Rediscounts, and Acceptances Function. The percentage of space of this function charged to each of the units under 9112 is the ratio of the number of employees charged to each unit to the total number of employees in the Loans, Rediscounts and Acceptances Function.'

"While the methods followed by the Federal Reserve Banks in arriving at costs of specific operations are not entirely uniform at all Federal Reserve Banks, it is believed that in substance the above is fairly representative of the procedure followed by the Federal Reserve Banks in determining costs under Executive Order No. 9112, Regulation V, and the instructions issued by the War Department, Navy Department, and Maritime Commission. In connection with furniture and equipment, charges are made for bank-owned furniture and equipment used at the rates of 8 per cent per annum for furniture and non-mechanical equipment, and 15 per cent per annum for mechanical equipment. Such rates are calculated on the original cost (or new replacement cost, if original cost is not ascertainable). Charges for space are on the basis of the lower of (1) actual cost, or (2) the rate charged commercial tenants for comparable space. In no case would the rate charged exceed \$2.00 per square foot.

"Although it is not practicable to list all the captions which the Federal Reserve Banks may use in submitting vouchers for reimbursement, it is believed that items on the attached sheet will cover, although perhaps in different terminology, practically all of the expenses incurred on behalf of the War Department, pursuant to Executive Order No. 9112, for which reimbursement is requested by the Federal Reserve Banks."

Approved unanimously.

Letter prepared for the signature of Chairman Eccles to
Mr. Lawrence M. C. Smith, Chief of the Special War Policies Unit,
Department of Justice, reading as follows:

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"This letter is written pursuant to the Attorney General's letter of August 3, 1942, advising that the legislatures of all but four States will hold regular sessions during the year 1943 and that the Council of State Governments has renewed its offer to assist in obtaining State legislation or administrative action which may be helpful to the war effort. The Attorney General stated that any suggestions for this purpose should be submitted to you.

"Inquiries submitted to the Federal Reserve Banks, which are acting pursuant to Executive Order No. 9112 and the Board's Regulation V as fiscal agents of the War Department, the Navy Department, and the Maritime Commission to facilitate and expedite the financing of contractors and subcontractors engaged in war production, resulted in suggestions that State legislation to improve the security which may be given by war contractors and subcontractors would facilitate and expedite the financing of such contracts. Such legislation would also tend to reduce the losses which the Government may ultimately have to bear on loans guaranteed by the War Department, the Navy Department, and the Maritime Commission pursuant to Executive Order No. 9112. Among the measures most frequently suggested for these purposes are the following:

"1. The enactment of the Uniform Trust Receipts Act in those States which have not yet enacted it. As you probably know, this act was drafted by the Commissioners of Uniform State Laws and recommended for enactment in all States by the National Conference of Commissioners, the American Bar Association, and the Committee on State Legislation of the American Bankers Association. According to the latest information available to the Board, it has been enacted in the States of California, Connecticut, Illinois, Indiana, Maryland, Massachusetts, Nevada, New Hampshire, New Jersey, New York, Oregon, Pennsylvania and Tennessee.

"2. The enactment of State laws to facilitate assignments of accounts receivable and to afford reasonable protection to the assignees in case of the bankruptcy of the assignors. As you probably know, the Assignment of Claims Act of 1940, approved October 9, 1940 (54 Stat. 1029), which was enacted by Congress 'to assist in the national-defense program', permits the assignment of certain claims against the United States. This act has been of great assistance in facilitating the financing of prime contractors engaged in war production but cannot be availed

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"of in the case of subcontractors who have no claims against the United States.

"3. Miscellaneous improvements in State laws relating to chattel mortgages, conditional sales, field warehousing arrangements, real estate mortgages and other security devices. There is enclosed for your further information in this connection a digest of the recommendations made by the Federal Reserve Banks as to possible State legislation to facilitate the defense program.

"Another measure which might facilitate and expedite the war production effort is legislation or administrative action in some States to exempt from the limitations on the amount which may be loaned by a State bank to a single borrower, loans covered by guarantees or commitments from the War Department, the Navy Department, the Maritime Commission, the Reconstruction Finance Corporation, a Federal Reserve Bank, or any other governmental agency. Section 8 of the Act of June 11, 1942 (Public Law 603, 77th Congress) amended section 5200 of the Revised Statutes so as to exempt such loans from the limitations on the amount which may be loaned by a national bank to one borrower; and legislative or administrative action for the same purpose has been taken in most of the States. However, some of the States have taken no action for this purpose and the administrative actions taken in some of the other States are not clearly authorized by statute and in many States we understand that bankers hesitate to rely upon them. The Board caused a survey to be made of the actions taken for this purpose in the various States and a memorandum summarizing the results is enclosed for your information.

"There has also been some protest by war contractors who keep their plants operating on legal holidays against the fact that banks close on legal holidays because they cannot make legally effective presentation or protest of negotiable instruments on such days and fear that they may incur some liability if they remain open on such days. While this may not be of major practical importance, it might make some contribution to the war effort and might be helpful to the morale of war contractors and their employees if the States would take appropriate action to reduce the number of legal holidays for the duration of the war, as has already been done in Kentucky.

"The Board has received a number of letters from the Federal Reserve Banks containing more detailed information and arguments in support of the above suggestions; and the Board's General Counsel will furnish copies of relevant

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"material to you on or before September 15 in accordance with the suggestion contained in the Attorney General's letter of August 3, 1942."

Approved unanimously.

Memorandum dated August 19, 1942, from Mr. Thomas, Assistant Director of the Division of Research and Statistics, recommending, in connection with the transfer of the consumer credit statistical work being done by the Bureau of Foreign and Domestic Commerce of the Department of Commerce to the Federal Reserve System, that the following letter be sent to the Presidents of all the Federal Reserve Banks:

"Because of the Board's responsibility in framing policy with respect to consumer credit, it seems desirable to centralize, so far as possible, the collection of the statistics of this field in the Reserve System. Heretofore, most of the work in this field has been done by the Bureau of Foreign and Domestic Commerce in the Department of Commerce. At our request, the Department of Commerce has agreed to transfer this statistical work to the Reserve System. The basic steps in effecting this transfer and the way in which the work is to be done within the System are described in the accompanying Memorandum of Arrangements.

"This change will involve a considerable amount of added work for the research department in your Bank. It is suggested that you review the personnel requirements of this department to be certain that an adequate staff is provided, not only for the current maintenance, but for work in the improvement, revision, and extension of these series. The latter point is of particular importance because one of the prime purposes to be served by this transfer is the improvement of underlying reports. The System is in a strategic position to make these improvements because of the experience accumulated in the administration of Regulation W, and the data available only at the Reserve Banks, and because of the intimate contact of each Reserve Bank with the respondent concerns in its district.

"Further correspondence on this subject should be addressed to Woodlief Thomas, Assistant Director of the Division of Research and Statistics.

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Approved unanimously.

Letter to the Comptroller of the Currency, reading as follows:

"It is respectfully requested that you place an order with the Bureau of Engraving and Printing, supplementing the order of June 17, 1942, for printing of Federal Reserve notes of the 1934 series of the Federal Reserve Bank of San Francisco in the following denominations and amounts:

<u>Denomination</u>	<u>Number of sheets</u>	<u>Amount</u>
\$5	216,666-2/3	\$13,000,000
10	316,666-2/3	38,000,000
20	79,166-2/3	19,000,000

"The above request is to cover Federal Reserve notes of the Federal Reserve Bank of San Francisco overprinted for use in Hawaii, in accordance with requests received from the Treasury Department dated June 8, 1942, July 10, 1942, and August 7, 1942."

Approved unanimously.

Letter to Mr. Broyles, Manager of Research and Statistics, Federal Reserve Bank of Richmond, reading as follows:

"This refers to your letter of August 14, 1942, stating that you have a request from a newspaper for a figure showing the total face value of checks cleared through the Charlotte Branch during 1941.

"It is noted that it has been your custom to release only combined figures on the operation of the Federal Reserve Bank of Richmond. The Board has no objection to the release of data on operations of an individual unit such as a branch if your Bank should desire to accede to the request."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrie

Secretary.

Approved:

Walter ...

Vice Chairman.