

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, October 5, 1942, at 9:30 a.m.

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

Mr. Morrill, 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 October 3, 1942, were approved unanimously.

Memorandum dated October 5, 1942, from Mr. Leonard, Director of the Division of Personnel Administration, submitting the resignation of Frederick L. Frost as a messenger assigned to Governor Szymczak's office, and recommending that the resignation be accepted as of the close of business on December 20, 1942.

The resignation was accepted.

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

"Your letter of September 25, 1942 referred to the Board a letter dated September 17 from The Jewelers' Circular-Keystone asking several questions concerning registration under Regulation W of jewelers in your district and their compliance with the regulation's provisions.

"It is our understanding that the Federal Reserve Bank of New York, which received a similar request, has been in touch with Mr. Donald S. McNeil, Associate Editor of The Jewelers' Circular-Keystone and has indicated that it would be unable to give satisfactory answers to any of the questions

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"except the first which referred to the number of jewelers registered. Upon considering the matter further, Mr. McNeil agreed that the subject was not suitable for an article and the project was abandoned. While the number of registrants was reported to him, he was later told that he was not authorized to publish the figure.

"Consequently, it will be unnecessary for you to do anything further with respect to the inquiry. Because it is possible for articles of this kind to do more harm than good, the Board would prefer to give them no encouragement."

Approved unanimously.

Letter to Mr. Edward C. Reichart, Vice President of The Scott-Marquardt Company, Inc., Buffalo, New York, reading as follows:

"This is in reply to your letter of September 23, 1942 which we believe refers to Amendment No. 6 of Regulation W, effective July 27, 1942, copy of which is enclosed. You will note that its application is not confined to repairs of houses of defense workers. You ask why this amendment did not include an exemption for insulation shingles applied on the outside of a house.

"The special exemption provided by Amendment No. 6 applies in general only to materials which are used wholly or mainly as insulation rather than as structural parts. In deciding not to include such materials as siding and roofing, after giving due weight to their value in reducing heat loss, the Board was influenced by countervailing considerations, including the undesirability of relaxing the restrictions of Regulation W over a wider field than necessary for the immediate purpose. There seemed, on the whole, to be good technical grounds for drawing the line at the point where it is drawn by Amendment No. 6.

"As the President stated in his message to Congress on April 27, the curtailment of consumer credit is one of the necessary steps to be taken as a part of the program to neutralize the forces working toward the advance of prices. The regulation of such credit can be relaxed only when circumstances, such as the acute shortage of transportation facilities for fuel, develop an urgent necessity for special treatment of some particular class of credit and then relaxed only to the extent required to meet the particular situation that has developed.

"It was decided that on balance, considering all available information concerning the technical advantages of wall

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"insulation and the volume of financing of such applications by the use of credit, the public interest would be best served if credit employed in these applications was released from the restrictions of the regulation at this time. A relaxation on a broad scale, however, as would be necessary if products such as siding were qualified for exemption, was thought to interfere too greatly with the regulation's objective.

"The administration of Regulation W is decentralized among the twelve Federal Reserve Banks and their twenty-four branches, and you will find it more convenient to direct any further questions that you may have on this subject to the Buffalo Branch of the Federal Reserve Bank of New York, Buffalo, New York."

Approved unanimously.

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

"Reference is made to the Board's circular letter of June 11, 1942 (Z-744) enclosing certain correspondence between the Board and the Treasury with respect to the desire of the Treasury to use a punch-card check for the purpose of making disbursements at the Chicago and New York offices of the Treasury's Division of Disbursement.

"After some informal conferences between representatives of the Treasury, the Board of Governors and the Federal Reserve Banks of New York and Chicago, the Treasury has adopted a plan, which has been agreed to by the Federal Reserve Banks of New York and Chicago, for the exclusive use of punch-card checks in the Chicago and New York offices of the Division of Disbursement, and the payment of such card checks through the Federal Reserve Banks of those districts in a manner similar to that now followed with respect to Emergency Relief checks.

"For your information in this connection, there are enclosed two copies of each of the following letters relating to this matter. It will be appreciated if you will furnish one set of the enclosed letters to Counsel for your bank.

Letter from the Under Secretary of the Treasury to the Chairman of the Board dated August 31, 1942, and enclosure;

Letter from the Board to the Under Secretary of the Treasury dated September 10, 1942;

Letter from the Acting Secretary of the Treasury to the Federal Reserve Bank of New York dated

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"September 12, 1942. (It is understood that an identical letter was addressed to the Federal Reserve Bank of Chicago);
Letter from the Federal Reserve Bank of New York to the Under Secretary of the Treasury dated September 21, 1942;
Letter from the Federal Reserve Bank of Chicago to the Acting Secretary of the Treasury dated September 19, 1942."

Approved unanimously.

Thereupon the meeting adjourned.

Lester Morrie
Secretary.

Approved:

W. C. C. C.
Chairman.