

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, October 6, 1942, at 11:00 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 5, 1942, were approved unanimously.

Memorandum dated October 6, 1942, from the War Loans Committee, submitting the resignation of Kenton R. Cravens as Administrator for that Committee, to become effective as of the close of business on October 9, 1942, and recommending that the resignation be accepted as of that date and that the following letter to Mr. Cravens be approved:

"This will acknowledge receipt of your letter of September 9, 1942, tendering your resignation as Administrator for the War Loans Committee, effective on a date convenient to the Board, but preferably not later than thirty days from the date of your letter.

"The Board is sorry that by reason of a reduction in the official staff of the Cleveland Trust Company, you find it incumbent upon you to return to your position with the Bank as soon as possible. It feels, however, in view of the original understanding that your services would be available to the Board only during the continuation of a leave of absence from the Bank, that it should not urge you to remain in Washington beyond the limit set in your

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"letter. In the circumstances, the Board accepts your resignation with sincere regret, effective as of the close of business October 9, 1942.

"Your advice and counsel have been most helpful to the Board in the formulation of policy and procedure in connection with the conduct of operations under Executive Order No. 9112. The task of organizing the War Loans activity and maintaining proper liaison between the Services and the Federal Reserve Banks, under the direction of the Board's War Loans Committee, has required a high degree of ability and initiative. The sense of loss which stems from your relinquishment of your present post is tempered only by your assurances that you have a continuing interest in the System's welfare and that the Board may feel free to call upon you from time to time in a consultative capacity."

The resignation was accepted and the letter was approved unanimously.

Letter to the United States Civil Service Commission, prepared in accordance with the action taken at the meeting of the Board on October 2, 1942, and reading as follows:

"In accordance with your request of September 30, 1942 (Departmental Circular No. 379), submitted herewith is a list in triplicate of the positions on the staff of the Board of Governors of the Federal Reserve System which are directly concerned with the war effort or with essential supporting activities, the adequate performance of the duties of which positions requires (a) special skills or abilities, and (b) a considerable period of training or experience.

"In considering the positions listed, a brief statement as to the nature of the Board's activities and responsibilities may be helpful.

"The Federal Reserve System was created by the act of Congress approved December 23, 1913. That act provided for a highly decentralized organization which functions at the present time through the Board of Governors and the 12 regional Federal Reserve Banks with their 24 branches. The Board of Governors is composed of members appointed by the President and confirmed by the Senate. Under the provisions of the Federal Reserve Act and other legislation the Board is charged with broad responsibility for the maintenance of sound credit and monetary conditions, with the supervision of the Federal

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"Reserve Banks, and with responsibilities for regulation of the banking system.

"War conditions have greatly increased the Board's general responsibilities in the fields of credit and monetary control, supervision of the Federal Reserve Banks, and supervision of the banking system. In addition, the war has brought new responsibilities. Among these are responsibilities in connection with: the regulation of consumer credit under Executive Order No. 8343 as a measure designed to aid in combating inflation; operations under Executive Order No. 9112 which relates to the financing of war contracts; and participation in the formulation of policies regarding Treasury financing, the financing of war production, price and consumption controls, anti-inflationary measures, and in various phases of the Government's international economic relations; and the Chairman of the Board of Governors has been appointed a member of the Economic Stabilization Board created under the provisions of the recent Executive Order No. 9250.

"The attached list of classes of positions includes the heads and assistant heads of divisions and certain other key positions in the various divisions of the Board's staff. The list is submitted with the understanding that the inclusion of a class of positions does not necessarily carry with it an implication that a request for deferment would be made for the men occupying such positions.

"The comments with respect both to the work of the Board and its relation to the war effort and to the various positions listed have purposely been kept brief and are to be regarded as merely indicative, rather than as fully descriptive. Any additional information desired will be gladly furnished.

"The attached list refers only to positions in the staff of the Board of Governors. The 12 Federal Reserve Banks and their 24 branches, operating under the supervision of the Board of Governors, perform functions of vital importance to the war effort. A substantial and increasing volume of their work is as fiscal agents for the Government. Their normal activities, such as those in connection with the clearing and collection of checks, the supplying of the currency and coin needs of the country, the provision of discount facilities, operations in the Government security market, the gathering and interpretation of financial and economic data, the examination and supervision of banks, the issuance and redemption of Government securities, are of even greater importance in war times than in peace times. In particular, Federal Reserve Banks have broad responsibilities in connection with the financing of the war. The Board of Governors,

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"the Federal Reserve Banks, and the Federal Open Market Committee have the responsibility for helping to maintain stabilized conditions in the money markets. In addition to these activities, new functions of the Federal Reserve Banks, such as the administration of the provisions of Executive Order No. 8843 and the Board's Regulation W relating to consumer credit, operations under Executive Order No. 9112 and the Board's Regulation V relating to the financing of war contracts, and operations in connection with the handling of frozen funds are directly related to the war effort.

"Your Departmental Circular No. 379 and the War Manpower Commission's Directive No. XI relate to Federal employees. While the officers and employees of the Federal Reserve Banks are not Federal employees, they are employees of essential agencies of the Government. This mention of the work of the Federal Reserve Banks is made in order to bring to the attention of the War Manpower Commission the importance to the Government and the war effort of the activities of the Reserve Banks and to serve as a point of reference should it be necessary to consider the manpower situation of the Federal Reserve Banks in the future."

Approved unanimously.

Letter to Mr. Alex Cunningham, Vice President and Treasurer of the Western Life Insurance Company, Helena, Montana, reading as follows:

"I have brought to the attention of the members of the Board of Governors your letter of September 17, submitting your resignation as a member of the Board of the Helena Branch because of your entering active military service.

"As you know, it has been a point of special effort on the part of the Board of Governors to select as directors of the Federal Reserve Banks and Branches men who can bring to the meetings of the directors the benefit of constructive contacts with the problems with which business, industry, and agriculture are faced. It is with sincere regret, therefore, that the Board of Governors accepts your resignation as a director of the Helena Branch.

"The members of the Board join in expressing their appreciation of your contribution during the period of your service as a director and hope that you will feel free to call upon them and the Board's staff whenever you are in Washington."

Approved unanimously, together with a letter to Mr. Peyton, President of the Federal Reserve Bank of Minneapolis, transmitting copies of the incoming letter and the above reply.

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Letter to Mr. Drinnen, First Vice President of the Federal Reserve Bank of Philadelphia, reading as follows:

"Your letter of September 30, 1942, in which you state that payments on account of the new building totaled \$581,590.78, or \$974.34 in excess of the maximum amount heretofore estimated, has been brought to the attention of the Board. It is noted that expenditures for furniture and furnishings, which were estimated at \$33,000, totaled \$32,746.56, or \$253.44 less than the estimate."

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 in the \$5 denomination in the amounts stated for the following Federal Reserve Banks:

	<u>Number of sheets</u>	<u>Amount</u>
"Cleveland	840,000	\$50,400,000
Chicago	680,000	40,800,000
Kansas City	168,000	10,080,000
Dallas	84,000	5,040,000"

Approved unanimously.

Thereupon the meeting adjourned.

Chester Mowbray
Secretary.

Approved:

W. C. C. C.
Chairman.