

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, October 6, 1942, at 3:00 p.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
Mr. Smead, Chief of the Division of Bank Operations
Mr. Dreibelbis, General Attorney
Mr. Vest, Assistant General Attorney
Mr. Wyatt, General Counsel
Mr. Thomas, Assistant Director of the Division of Research and Statistics
Mr. Roland Robinson, Senior Economist in the Division of Research and Statistics

Mr. McKee stated that, in accordance with the action taken at the meeting of the Board on October 2, the War Loans Committee had fixed October 19, 20, and 21 as the dates for the meeting in Washington of representatives of the Federal Reserve Banks handling war loan matters with representatives of the Board and the services.

At this point, Mr. Horbett, Assistant Chief of the Division of Bank Operations, joined the meeting.

Before this meeting the attention of the members of the Board had been called to a memorandum dated September 30, 1942, from Messrs. Smead and Goldenweiser in which it was stated that for some time it had been felt that the loan schedule in the member bank call report did not give the Board adequate information as to the purposes for

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which bank credit was being used, and that it might be well to improve it in this respect and to make certain other changes in the interest of more accurate reporting. The memorandum submitted a copy of a proposed revised loan schedule which would also take the place of the separate schedule on consumer credit which the banks are now required to submit with the call report, and stated that, if the Board approved the proposed schedule, the loan classification now furnished by weekly reporting member banks would have to be modified so as to make it consistent with the new loan schedule. The further statement was made in the memorandum that, if the Board were inclined to favor the adoption of a revised schedule similar to that proposed, it was suggested that Messrs. Smead and Goldenweiser be authorized to discuss the matter with the office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, other interested Government agencies, the Federal Reserve Banks, and perhaps a few member banks and representatives of the American Bankers Association, it being understood that some changes in detail might be suggested in the light of these discussions. The memorandum also said that it would be desirable, if it could be arranged, to take the loan schedule entirely out of the call report and perhaps the investment schedule as well, and to ask all member banks to submit, once or twice a year, separate schedules classifying their loans and investments, and perhaps to ask weekly reporting member banks to submit reports quarterly on the more detailed form.

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Following a discussion of the unsatisfactory results that had been obtained from the separate schedule on instalment loans and of the desirability of taking the loan schedule out of the call report, the suggestion was made that the entire matter be referred to Messrs. Ransom, Evans, and McKee with power to act.

This suggestion was approved unanimously.

Reference was then made to the discussions with the Presidents of the Federal Reserve Banks while they were in Washington last week of a reduction in the discount rates in effect at the Federal Reserve Banks on loans and advances under sections 13, 13a, and 10(b) of the Federal Reserve Act and the establishment of a preferential rate on advances secured by direct obligations of the United States with a maturity of one year or less. It was stated that the understanding with the Presidents was that the Reserve Banks would not be expected to take action with respect to a reduction until receipt of advice from the Board as to whether it would favor a reduction in the general discount rate or the establishment of a preferential rate. There was a discussion of the reasons which might be advanced for and against a general reduction as compared with the establishment of a preferential rate.

While this discussion was in progress, Mr. Goldenweiser, Director of the Division of Research and Statistics, and Mr. Rouse, Vice President of the Federal Reserve Bank of New York, entered the room

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with a draft of statement which they had prepared in response to a request made by Secretary Morgenthau while representatives of the System were at the Treasury this morning, and Chairman Eccles suggested that the meeting of the Board adjourn so that the members of the Federal Open Market Committee who were in Washington might have an opportunity to consider the statement.

Thereupon the meeting adjourned.

Chester Morrie
Secretary.

Approved:

W. A. Rorer
Chairman.