

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, December 1, 1942, at 10:35 a.m.

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

Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary
Mr. Clayton, Assistant to the Chairman
Mr. Thurston, Special Assistant to the Chairman
Mr. Goldenweiser, Director of the Division of Research and Statistics
Mr. Smead, Chief of the Division of Bank Operations
Mr. Dreibelbis, General Attorney
Mr. Vest, Assistant General Attorney
Mr. Thomas, Assistant Director of the Division of Research and Statistics

In connection with the discussion of the current Treasury financing campaign and System open market operations, Mr. McKee stated that it had come to his attention that some banks were unwilling to open war loan deposit accounts for the reason that they did not want to maintain reserves against war loan deposits or to pay the Federal deposit insurance assessments on such deposits. He felt that, unless some action were taken, the increase in war loan deposit accounts would not be large enough to permit of the most efficient handling of Government borrowing, and he stated that he had been discussing the matter with members of the Board and members of the Legal Division for

12/1/42

-2-

the purpose of ascertaining whether there was some way in which the problem could be met.

A discussion ensued of the question whether a procedure could be worked out which would avoid the necessity of classifying the proceeds from the sale of Government securities, which under the present procedure are held in war loan deposit accounts, as deposits subject to reserve requirements and the Federal Deposit Insurance Corporation assessment.

It was understood that Mr. McKee would take the matter up with Under Secretary of the Treasury Bell with a view to having representatives of the legal divisions of the Treasury, the Board of Governors, and the Federal Deposit Insurance Corporation consider the matter for the purpose of exploring whether some solution of the problem could be found within the framework of the present law.

Mr. Thurston stated that he had just received a call from Ferdinand Kuhn, Assistant to the Secretary of the Treasury, in which the latter stated that the Treasury had received a number of complaints from the press that discrimination had been shown in the placing in newspapers throughout the country of the full-page advertisements which appeared this week with respect to the forthcoming Treasury financing, that apparently the lack of information concerning the circumstances under which the advertisements were prepared and placed was resulting in the misunderstanding, and that as a means of correcting such misunderstanding the Treasury would like the Board to send a telegram to the Presidents of all the Federal Reserve Banks giving such information,

12/1/42

-3-

it being understood that the Treasury would send a similar telegram to the Victory Fund Committees and to the field offices of its war savings staff.

After a discussion, it was agreed unanimously that Mr. Thurston should call Mr. Kuhn and tell him that the Board would like him to prepare a draft of statement which might be sent to the Federal Reserve Banks as a statement coming from the Treasury and that when the statement had been received it would be given consideration by the Board.

Mr. Thurston withdrew from the meeting for this purpose, and upon his return read a draft of statement which had been telephoned to him by Mr. Kuhn. It appeared that the draft would not be satisfactory and considerable doubt was expressed as to whether there was any need for sending a wire as proposed.

It was understood that Mr. Thurston would endeavor to revise the draft of statement in the light of the discussion, and further consideration was deferred.

Messrs. Goldenweiser and Thomas withdrew from the meeting at this point.

Mr. Szymczak referred to a letter received from Mr. McLarin, President of the Federal Reserve Bank of Atlanta, under date of November 25, 1942, outlining the need of the Bank for additional space, referring to the action taken at the meeting of the board of directors of the Bank in November authorizing the executive committee to continue negotiations and, subject to the approval of the Board of Governors, to offer up to \$175,000 for the six-story brick building

12/1/42

-4-

adjoining the building now occupied by the Bank, and requesting authority for the Bank to make an offer for the property within the discretion of the board of directors. In connection with the consideration of Mr. McLarin's letter, Mr. Szymczak outlined briefly the conversation with respect to the proposed purchase of this property which he had with Mr. Neely, Chairman of the Atlanta Bank, when the latter was in Washington last week.

It was agreed unanimously that Mr. McLarin's letter should be circulated among the members of the Board for consideration at the next meeting of the Board at which all of the members were present.

Mr. Dreibelbis stated that yesterday Mr. Keech, Corporation Counsel for the District of Columbia, called on the telephone and stated that he had been waiting to hear further from the Board with respect to the payment of taxes on the Board's building, and that he told Mr. Keech that he had not understood that the Board was to communicate with him again but rather that his telephone conversation of November 16, 1942, with Mr. Wyatt was made as a matter of courtesy to the Board. Mr. Dreibelbis went on to say that he informed Mr. Keech that he had talked with Mr. Carusi, Executive Assistant to the Attorney General, on an informal basis regarding the matter, and that thereafter the matter had been considered by the Board which had taken the position that it should take no action at this time, but that it was anticipated that during the course of the next year there would be certain matters affecting the Federal Reserve System concerning which the Board would wish to recommend to Congress that legislation be passed, and that if this

12/1/42

-5-

should develop it was hoped that the question as to what should be done about the taxation of the Board's building could be settled at that time. Mr. Dreibelbis added that after the conversation with Mr. Keech he called Mr. Carusi again and informed him of the position that the Board had taken in the matter, that Mr. Carusi was inclined to do nothing in the matter until further action was taken by the District Commissioners, and that he told Mr. Carusi that if the property were advertised for sale it would only make the position of the District Commissioners more difficult, that, if any action were to be taken by the office of the Attorney General, Mr. Carusi might want to give consideration to such action before the building was advertised, and that if he should desire to do so he (Mr. Dreibelbis) would be glad to talk with him and Mr. Keech about it. Mr. Dreibelbis stated that he also told Mr. Carusi that he proposed to call Mr. Keech again and make the same suggestion to him, and that Mr. Carusi's response was that he would take the matter up with the people in his office who were handling it. Subsequent to the conversation with Mr. Carusi, Mr. Dreibelbis said, he talked with Mr. Simmon, Assistant Corporation Counsel, in the absence of Mr. Keech and repeated the offer to consider with Messrs. Keech and Carusi whether there was any ground upon which an agreement could be reached.

In the discussion which ensued, Mr. Dreibelbis referred to the bill, which had passed the House of Representatives and was now pending before the Senate, which would exempt from taxation by the District

12/1/42

-6-

of Columbia all property of the United States Government, and stated that one of the possible ways to meet the problem would be for the Senate Committee to include in its report on the bill a statement that the Board's building was regarded as property of the United States Government and therefore was not mentioned in the bill as being exempt from taxation by the District of Columbia.

At the conclusion of the discussion, it was understood that Mr. Dreibelbis would discuss this suggestion with Messrs. Carusi and Keech and, if such a procedure were agreeable to them, that the matter should be taken up by them with Senator McCarran, Chairman of the Senate Committee on the District of Columbia.

Mr. Morrill referred to a telegram dated November 30, 1942, from Mr. Leedy, President of the Federal Reserve Bank of Kansas City, in which it was stated that as a part of the present Treasury financing campaign the suggestion had been made that banks having time deposits be permitted to pay such deposits prior to their maturity with accrued interest on the condition that the proceeds would be used through the banks of deposit for the purchase of one or more of the current Government offerings and that, if the Board had not already considered an amendment to Regulation Q which would permit this being done, Mr. Leedy would appreciate the question being submitted to the Board.

Mr. Morrill was requested to reply to the telegram by stating that the subject had been brought up a number of times during the past year and had been under informal discussion with the Federal Deposit Insurance Corporation

12/1/42

-7-

and the Treasury, but that so far the Treasury had not felt that action to permit such withdrawals should be taken and consequently the suggestion had not been pressed beyond the point of informal consideration.

At this point, Messrs. Thurston, Smead, Dreibelbis, and Vest withdrew from the meeting, and the action stated with respect to each of the matters hereinafter referred to was then taken by the Board, Chairman Eccles participating:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on November 30, 1942, were approved unanimously.

Bond in the amount of \$10,000, executed under date of November 19, 1942, by T. Wesley Bagby as Federal Reserve Agent's Representative at the Charlotte Branch of the Federal Reserve Bank of Richmond.

Approved unanimously.

Memorandum dated November 20, 1942, from Mr. Smead, Acting Administrator for the War Loans Committee, recommending that the following increases in salaries of employees in the Office of the Administrator for the War Loans Committee be approved, effective as of December 1, 1942:

<u>Name</u>	<u>Designation</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
Faucette, Olive C.	Clerk-Typist	\$1,620	\$1,800
Holmes, Mary	Clerk	1,560	1,620
Severud, Esther	Stenographer	1,680	1,800

Approved unanimously.

12/1/42

-8-

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

"In accordance with the request contained in your letter of November 27, 1942, the Board approves the designation of the following as special assistant examiners for the Federal Reserve Bank of Philadelphia:

James A. Aikens
Clifford R. Thatcher
Edwin M. Moore
Hugh S. Campbell
James A. Gordon

Edgar H. Lythgoe
Willis W. Ulmer
John W. Murphy
William J. Allen
John J. Brenner"

Approved unanimously.

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

"In accordance with the request contained in your letter of November 24, 1942, the Board approves the appointment of Edwin Noah Davis as an assistant examiner for the Federal Reserve Bank of Chicago. Please advise us of the date upon which the appointment becomes effective."

Approved unanimously.

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

"In accordance with the request contained in your letter of November 25, 1942, the Board approves the appointment of Daniel Bartlett Elliott as an assistant examiner for the Federal Reserve Bank of Chicago. Please advise us of the date upon which the appointment becomes effective."

Approved unanimously.

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

"Sections 5(a) and 5(c) of Regulation W refer to payments to be made on the tenth day of the calendar month,

12/1/42

-9-

"and since this day falls on a Sunday in January next, the question has been asked whether payment may be deferred until the following day.

"In accordance with the general rule in such cases, where the tenth day of the calendar month falls on Sunday, the final day for the purposes of sections 5(a) and 5(c) is the eleventh."

Approved unanimously.

Letter to Mr. Kennel, Assistant Counsel of the Federal Reserve Bank of Boston, reading as follows:

"Your letter of November 10 addressed to Dr. Parry inquires as to the form of the agreement referred to in section 5(d) (2) of Regulation W, and inquires as to the degree of formality which is required.

"Section 5(d)(2) calls for a 'written agreement' to pay the amount in default within six months or less by substantially equal instalments of not less than \$5.00 per month or \$1.25 per week at equal intervals not exceeding one month. Obviously, an instalment agreement which satisfies these requirements would usually have a fair degree of formality, but as long as the written document or documents contain all the elements of the agreement no particular formality is required. The sincerity of the customer in making the agreement is, of course, an element as to which the Registrant must be satisfied, since the agreement must be in good faith, and the formality of the documents would have some bearing upon this point.

"As you suggest, the Regulation does not require that the Registrant's adherence to the agreement be in writing. The act of the Registrant in preparing a form of agreement for the customer to sign would ordinarily signify his readiness to accept the agreement when signed. In the case you described, however, where the customer writes to the Registrant promising to pay at certain times, it would be well for the Registrant to send, as evidence of acceptance, a communication to the customer indicating that he has agreed to the customer's proposal."

Approved unanimously.

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

12/1/42

-10-

"In your letter of November 23, which has just been received, you asked to be informed whether a security officer had been designated by the Board, as requested in your letter of September 28.

"Following receipt of your Regulation Number One, we informed you in our letter of July 25 that Mr. Elliott Thurston, Special Assistant to the Chairman of the Board of Governors, had been designated as the Board's representative, with authority to cooperate with the Office of War Information in expediting the handling of classes of war information requiring central clearance. We regret that we failed to realize that your letter of September 28 called for an additional designation, and hasten to inform you that Mr. Thurston is the official designated as security officer as well as the representative designated in our letter of July 25. Mr. Thurston has already been in communication with your offices."

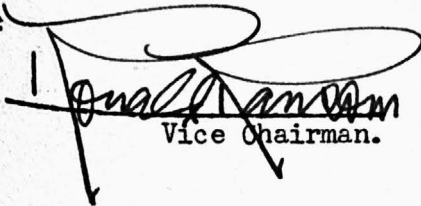
Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrie

Secretary.

Approved:


Vice Chairman.