

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Saturday, December 19, 1942, at 11:00 a.m.

PRESENT: Mr. Eccles, 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

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 December 18, 1942, were approved unanimously.

Memorandum dated December 19, 1942, from Mr. Morrill, submitting the resignation of James W. Arnold as an elevator operator in the Secretary's Office, to become effective as of the close of business on December 29, 1942, and recommending that the resignation be accepted as of that date.

The resignation was accepted.

Telegram to Mr. Young, President of the Federal Reserve Bank of Chicago, reading as follows:

"Retel 17. Board approves the salary of E. C. Harris as Vice President of Federal Reserve Bank of Chicago at rate of \$15,000 per annum for period ending March 31, 1943. Please advise as to the date when his appointment will

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"become effective."

Approved unanimously.

Telegram to Mr. Peyton, President of the Federal Reserve Bank of Minneapolis, stating that, subject to conditions of membership numbered 1 to 3 contained in the Board's Regulation H, the Board approves the application of the "Citizens Bank of Montana", Havre, Montana, for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Minneapolis. The telegram requested that the Federal Reserve Bank advise the applicant bank of the Board's approval of the application and conditions of membership prescribed, together with necessary instructions as to the procedure for accomplishing membership, and stated that a letter containing detailed advice regarding such approval would be forwarded to the applicant bank through the Reserve Bank. The telegram contained the following additional statement:

"While the new bank seems to have favorable prospects and the management has been seasoned in successful operation in the community, one of the principal reasons for the formation of the bank appears to have been the demand for an independent bank. Furthermore, the information submitted indicates that some animosities may have arisen in connection with the organization of the new bank. Such a condition is, of course, unfortunate and unfavorable possibilities are inherent. The application has been approved with the understanding that you will follow the situation closely after the bank has been admitted to membership."

Approved unanimously.

Letter prepared for the signature of Chairman Eccles to Mr. A. P. Giannini, Chairman of the Board of Transamerica Corporation, San

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Francisco, California, reading as follows:

"I have yours of November 25 in which you acknowledge receipt of my letter of November 13 respecting the position of the Board in the matter of expansion of banking institutions in the Transamerica group.

"I could not possibly agree with you that the Board, the Federal Deposit Insurance Corporation, and the Comptroller of the Currency have entered upon a course of arbitrary and discriminatory action where Transamerica is concerned nor could I possibly agree that any policy has been declared and put into effect without any opportunity for the interested parties to be heard. I believe that you are fully informed as to the Board's position and of all the facts upon which it is based, and I am convinced that continued discussion would only involve us in lengthy arguments as to the correctness of your impressions regarding the soundness of the Board's position and the sincerity of its motives. However, any time you or any of your senior associates are in Washington, I shall be glad to arrange further conferences on this matter."

Approved unanimously.

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

"This is with reference to your letter of December 3, 1942, enclosing copies of correspondence with Mr. T. P. Coats, President of the Production Credit Corporation of Berkeley. It is our understanding that Mr. Coats proposes that section 8(i) of Regulation W be amended so that a loan to a person engaged in agriculture, for general agricultural purposes, would be exempt even though for the purpose of purchasing a listed article provided the purchase of the listed article is certified by the lender to be necessary to maintain or increase production of livestock or essential commodities. A similar change is proposed for section 2(i).

"In studying Mr. Coats' letter, we note that he mentions automobiles, cooking stoves, refrigerators, water pumps, and wearing apparel as the items which he has in mind in connection with this proposed amendment. He apparently feels that in certain circumstances a loan to purchase these articles would be a loan for general agricultural

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"purposes. We presume that what he is thinking of is that the inability to obtain some of these goods may impair the efficiency of the farmer. Perhaps in some cases the situation is that a particular man is not able to engage in farming because his family would have to have these articles in order to move to the farm.

"This concept of 'general agricultural purposes' is broader than we have ever employed in interpreting this phrase. In our opinion, it would include purchases of articles actually used in agricultural production but not the ordinary consumers' goods. It would seem that under Mr. Coats' view all goods and services purchased by a farmer's family would be producers' goods since they would all, to some extent, contribute to his efficiency in producing crops.

"If this view were adopted generally, then all goods purchased by the family of a person engaged in any type of business would be for business purposes. If the business then was essential, directly or indirectly, to the war effort, purchases of these families should likewise be exempted. Since so large a share of the country's workers would qualify and since this share must grow, the adoption of such a principle would in large measure nullify Regulation W. We have received several suggestions to the effect that purchases of automobiles by defense workers be exempted since they provide necessary transportation facilities. We have not considered it advisable to act on these suggestions. It is a basic principle of the regulation that the incurrence of debt should be discouraged and that debt which is incurred should be paid off rapidly. It has been our experience that the people who have requested these concessions have been able to find some other way of handling their problem as, for example, in the case of the automobile, the purchase of a less expensive car. In view of the situation we are to face in the future, we believe that the individuals themselves will be much better off if they incur only those obligations which they can take care of within a short time.

"We appreciate that this matter may be of considerable importance and we suggest that, if Mr. Coats wishes to pursue the matter further, it might be desirable for him to discuss the subject with the Farm Credit Administration so that the latter may be in a position to bring the problem to us on the basis of a nation-wide examination of the issues involved.

"We are enclosing an extra copy of this letter, which, if you wish, you may give to Mr. Coats."

Approved unanimously.

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Letter to Mr. R. Leslie Kelley, Editor of the Kelley Blue Book, Los Angeles, California, reading as follows:

"This is in reply to your letter of December 14, in which you refer to the Board's letter of March 21, 1942 notifying you of the designation of the Kelley Blue Book for use, in the territory specified in the Board's letter, for purposes of the Board's Regulation W during the balance of the calendar year 1942.

"The Board has now determined to continue this designation in effect for the calendar year 1943. This designation continues subject to revocation at any time by the Board, and to the other conditions set forth in the Board's letter of March 21, 1942."

Approved unanimously, together with similar letters to the following guidebook publishers notifying them of the Board's decision to continue in effect for the calendar year 1943, for purposes of Regulation W, the designation of the automobile appraisal guides published by them as shown:

<u>Publisher</u>	<u>Guide</u>
Used Car Statistical Bureau, Inc.	Market Analysis Report
American Auto Appraisal	American Auto Appraisal
Wisconsin Automotive Trades Association	Official Wisconsin Automobile Valuation Guide
Northwest Publishing Company	Northwest Used Car Values
National Used Car Market Report, Inc.	Official Blue Book New and Used Car Guide Editions A and B
	Blue Book National Used Car Market Report - Executive Edition
	"Retail sales values" for Zones Nos. 1, 2, 3, 4, 5, and 6
	Red Book National Used Car Market Report
National Automobile Dealers Association	N.A.D.A. Official Used Car Guide Editions for Districts B, EF, G, S.E. Michigan, H, J, K, L, and O
Recording & Statistical Corporation	Official Automobile Guide, Price Edition

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

"All Presidents are agreeable to meetings beginning January 25. It seems likely that practical procedure would be to hold meeting of Federal Open Market Committee on Monday, January 25, meeting of Chairmen of Victory Fund Committees on Tuesday, January 26, and joint meeting of Presidents and Board of Governors on Wednesday, January 27. Therefore, meeting of Federal Open Market Committee has been called to convene at 10:00 a.m. on Monday, January 25, with understanding that other meetings on successive days will be held as above indicated. In order to plan meetings to be as effective as possible it will be appreciated if you will wire me at your earliest convenience the specific topics which you believe should be discussed from the standpoint of their importance and that you be prepared if requested to lead the discussion of any topic you suggest. In this connection you may wish to consider desirability of preparing memoranda on such subjects, including particularly problems connected with Victory Fund campaigns, and furnishing copies to all other Presidents and to Board in advance of meetings.

"All available single rooms and sufficient number double rooms to take care of all Presidents at Carlton Hotel beginning morning January 25 have been reserved. Please advise if you desire reservation held for you and your anticipated time of arrival and departure."

Approved unanimously.

Thereupon the meeting adjourned.

Approved:


Chairman.


Secretary.