

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, December 23, 1942, at 4:30 p.m.

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

Mr. Morrill, Secretary
Mr. Carpenter, Assistant Secretary
Mr. Parry, Chief of the Division of
Security Loans

Mr. Ransom referred to the consideration given at the meeting of the Board on September 4, 1942, to a draft of directive proposed to be issued by the office of Petroleum Administration for War to restrict retail credit sales of petroleum products by units of the petroleum industry and to discussions which had been had with representatives of that office since that time. He stated that under date of December 21, 1942, a letter was received from Mr. Robert T. Collier, Director of Marketing for the Petroleum Administration for War, with which was transmitted the following draft of a directive covering motor fuel which the Petroleum Administration was desirous of putting into operation at the earliest possible date in order to preclude the issuance of new cards by oil companies on January 1, 1943:

"The use of certain sales devices in connection with the sale of motor fuel by or through retail outlets impairs the most effective utilization of petroleum, and the following operating directive is deemed necessary for the prosecution of the war:

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"Section 1525.1 - Petroleum Directive

(a) Definitions.

- (1) 'Person' means any individual, partnership, association, business trust, corporation, or any organized group of persons, whether incorporated or not.
- (2) 'Retail Outlet' means any place of business where motor fuel is sold at retail, including, but not limited to, any place of business where motor fuel is delivered into the fuel supply tanks of motor vehicles or motor boats.

(b) Use of Sales Devices in Extending Credit Prohibited.

- (1) Commencing January 1, 1943, no person engaged in the marketing of motor fuel shall distribute or use credit cards, courtesy cards, identification cards, receipt books or any other similar sales devices for the purpose of effecting or fostering, directly or indirectly, the extension of credit in the sale of motor fuel to any ultimate consumer by or through any retail outlet: Provided, that such use or distribution shall not be prohibited if the deliveries to be so obtained on credit by any customer are limited to a single retail outlet and provided further, that nothing in this paragraph shall be deemed to prohibit the use of requisition books by governmental agencies in making purchases of motor fuel.
- (2) Commencing January 1, 1943, no person engaged in the marketing of motor fuel shall make unusual or abnormal advances of money, credit or merchandise to any person operating a retail outlet for the purpose of enabling or influencing such person to extend credit in the sale of motor fuel by or through such retail outlet.
(E.O. 9276, 7 F. R. 10091).

"Issued this day of December, 1942."

Mr. Ransom went on to say that he had discussed the matter with Mr. Collier and that he desired to know whether the Board of Governors would have any objection to the issuance of the directive.

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It was pointed out that the directive contained an exception which apparently would permit the extension of credit to a customer at a single retail outlet, and Mr. McKee raised the question what the effect of the directive would be on operators of fleets of trucks and busses which of necessity must obtain gasoline from stations at various points along the routes traveled. He said that in many instances large operators of trucks and busses had made credit arrangements with station operators in order to avoid the necessity of supplying drivers with cash with which to buy motor fuel.

During the discussion of the question raised by Mr. McKee, Mr. Bethea, Assistant Secretary, and Mr. Thurston, Special Assistant to the Chairman, joined the meeting.

There was general agreement that the directive in the form proposed would not conflict in any way with the responsibility of the Board to control consumer credit pursuant to Executive Order No. 8843, but Mr. McKee suggested that the reply to Mr. Collier's letter contain a statement that inasmuch as the directive did not prescribe terms of payment the Board of Governors would have no objection to it.

Mr. Ransom called Mr. Collier on the telephone for the purpose of discussing the effect of the directive on operators of fleets of trucks and busses, and the latter stated that the directive in the form proposed would not prohibit credit arrangements with stations along the routes of travel. He also said that most of the trade was strongly urging that the directive be issued and that, if possible, the Petroleum

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Administration for War would like to issue it today.

Following the telephone conversation, the following letter to Mr. Collier was approved unanimously:

"Mr. Ransom has brought to the attention of the Board your letter of December 21, 1942 relating to the petroleum directive, proposed to be issued by the Petroleum Administrator for War, prohibiting the use of collective systems of effecting credit by motor fuel suppliers.

"The Board appreciates the opportunity to study the directive in advance of its issuance and I have been requested to inform you that in view of the purpose of the directive as stated in the preamble, and inasmuch as it does not prescribe terms of payment, the Board of Governors is of the opinion that the directive would not, under present circumstances, operate to impair in any way the Board's control of consumer credit as exercised under Executive Order No. 8843, or be open to any other objection from the point of view of the Board."

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

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on December 22, 1942, were approved unanimously.

Memorandum dated December 19, 1942, from Mr. Morrill, recommending that Thomas R. Deakins be appointed as an elevator operator in the Secretary's Office on a temporary basis for an indefinite period, with salary at the rate of \$1,200 per annum, effective as of the date upon which he enters upon the performance of his duties after having passed satisfactorily the usual physical examination.

Approved unanimously.

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Memoranda dated December 9, 1942, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that the salaries of John O. Bergelin and Clayton Gehman, Senior Economists in that Division, be increased from \$5,400 and \$5,000 to \$5,800 and \$5,600 per annum, respectively, effective January 1, 1943.

Approved unanimously.

Memorandum dated December 23, 1942, from Mr. Carpenter, submitting the resignation of Mrs. Charlotte Lissy as a junior file clerk in the Secretary's Office, to become effective as of the close of business on December 22, 1942, and recommending that the resignation be accepted as of that date with the understanding that an amount equal to four hours of unearned leave would be deducted from her last salary check.

The resignation was accepted.

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

"As stated in the Board's telegram of December 16, certification procedure with respect to certain wage and salary adjustments requires that the certificates, after approval of the adjustments by the Board of Governors, be forwarded for review to the Joint Committee on Salaries and Wages established by the National War Labor Board and the Commissioner of Internal Revenue.

"As a result of discussions with a representative of the War Labor Board on the Joint Committee, the following procedure is suggested:

1. A certificate should contain
 - a. A statement that the adjustments are necessary to correct maladjustments, inequalities, or gross inequities.
 - b. A brief statement of facts and figures to support the above statement.
 - c. A statement that the proposed adjustment or adjustments would not raise salaries or wages beyond the prevailing level of compensation for similar services in the area or community.

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- "2. When practicable and convenient, a number of adjustments may be covered by one certificate, supported by a schedule showing:
- a. Title of position.
 - b. Present maximum annual salary.
 - c. Proposed maximum annual salary.
 - d. Prevailing rate for similar or comparable positions in the area or community.

"Any other data deemed helpful in support of the proposed adjustments should also be included.

"The representative of the War Labor Board has suggested that it would be helpful and expedite matters if, in all cases where a proposed increase in maximum annual salary would not be in excess of 15 per cent of the maximum annual salary as of January 1, 1941, the certificate contain a statement to that effect. In cases where the proposed increase would be in excess of 15 per cent of the maximum annual salary as of January 1, 1941, he suggests that the data submitted show the maximum annual salary as of that date. The same procedure, of course, should be followed in the cases of such proposed increases in individual salaries as are handled under the certification procedure. Since supplemental compensation was not authorized until after January 1, 1941, allowance for any supplemental compensation at the rate being paid currently must be made in determining whether an increase is in excess of 15 per cent over the base as of January 1, 1941.

"In the discussion it was brought out by the representative of the War Labor Board that there could be inequalities or inequities between payments for different positions within an organization as well as between salary and wage scales paid by an organization and the prevailing rates in the community. Accordingly, it is suggested that when both types of adjustments are covered in one schedule, they be segregated into two groups, one of adjustments deemed necessary to bring wages and salaries in line with the prevailing rates in the community, and the other group of adjustments proposed to correct inequalities or inequities within the bank's own organization. For the latter group the schedule should include brief statements of the facts and figures which justify the proposed adjustments.

"It is understood that one basis for review by the joint committee will be the basic data available to it from various sources as to the prevailing wage and salary scales for the various types of work in the different communities.

"As stated in the Board's telegram of December 16, there are certain types of cases in which the certification procedure is not required. In case of doubt as to whether in particular adjustments the certification procedure is to be used, it is suggested that the proposed adjustments where the procedure is in doubt be sent in under separate certificate or

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"certificates in order that all cases which should be submitted for review may be sent to the Joint Committee and the volume of work reduced by not submitting any unnecessary cases.

"General Order No. 19 provides that five copies of the certificate be filed with the Joint Committee. It is requested, therefore, that six copies of the certificate and schedules be forwarded to the Board in order that one copy may be retained for our files. As in the past, however, only one copy of the Personnel Classification sheets need be submitted.

"The certificates referred to should be addressed to the Joint Committee on Salaries and Wages, and it is not necessary for a Reserve Bank to undertake to distinguish between adjustments which come within the scope of the War Labor Board and adjustments which come within the scope of the Commissioner of Internal Revenue.

"It is suggested that a particular certificate and schedule cover positions only at the head office or one branch."

Approved unanimously.

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

"In accordance with the request contained in your letter of October 2, 1942, the Board of Governors approves, effective as of September 1, 1942, the payment of salary to John J. Endres, Auditor, at the rate of \$8,000 per annum, for the period ending March 31, 1943.

"As you were advised in a letter dated October 10, consideration of the increase as authorized by your board of directors, subject to the approval of the Board of Governors, was held in abeyance pending clarification of the applicability of Executive Order No. 9250 to salaries paid by the Federal Reserve Banks."

Approved unanimously.

Telegram to Mr. Young, President of the Federal Reserve Bank of Chicago, stating that, subject to conditions of membership numbered 1 to 6 contained in the Board's Regulation H, the Board approves the application of "The Waterloo Savings Bank", Waterloo, Iowa, for membership in

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the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Chicago. 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:

"It is assumed that you will follow the matter of the bank's organizing its fiduciary activities to provide collective judgment of the directorate or a duly appointed committee."

Approved unanimously.

Letter to Mr. Gidney, Vice President of the Federal Reserve Bank of New York, reading as follows:

"Reference is made to your letter of December 19, 1942, submitting the request of the State Bank of Albany, Albany, New York, for permission to take over its bank buildings now owned by an affiliate, discharge the mortgage to which the properties are subject, and carry its aggregate investment in bank premises at not more than \$2,640,700.

"In view of your recommendation and the information submitted, including that with reference to the proposed rate of depreciation, the Board approves the transaction as proposed provided the approval of the appropriate State authorities is obtained."

Approved unanimously.

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

"There is enclosed for your information and guidance copy of a memorandum dated December 10, 1942, signed by Col. John C. Mechem, Signal Corps, U.S.A., setting forth the procedure to be followed with respect to the purchase by the

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"War Department of the guaranteed portion of guaranteed loans. We are advised by Mr. William A. Coolidge, Acting Chief, Finance Section, Navy Department, and by Mr. B. B. Griffith, Assistant to Director of Finance of the Maritime Commission, that the procedure outlined in the War Department memorandum of December 10 is satisfactory to the Navy Department and the Maritime Commission.

"The Navy Department has also advised us that the written demand for purchase of principal and interest submitted by a financing institution must contain sufficient information to identify the loan, and state (a) the unpaid principal amount of the loan on the date of the demand for purchase, (b) the amount of interest due and unpaid on the date of the demand for purchase, (c) the percentage of the loan to be purchased, and (d) that the statements contained in the written demand are correct and just. It is assumed that in most cases at least a financing institution will be in touch with you prior to the submission of a formal demand for purchase and that it will be a simple matter for you to tell it to include the above data in its written demand. If the written demand as submitted does not contain all such information, the Navy Department requests that you follow the procedure specified in the enclosure herewith and in addition proceed immediately to obtain a statement from the financing institution which will contain the above information. Three copies of the revised statement from the financing institution containing the information specified above should be forwarded to Washington by air mail as soon as received, and wire advice of its mailing should be promptly transmitted to the Board.

"Statements in the form outlined above in the case of the Navy Department will be satisfactory to both the War Department and the Maritime Commission, but we have been advised informally by representatives of the War Department and Maritime Commission that a demand for purchases received from a financing institution which is in such form as, in the opinion of your counsel, constitutes an effective demand under the terms of the guarantee agreement will be sufficient."

Approved unanimously.

Telegram to Mr. Peyton, President of the Federal Reserve Bank of

Minneapolis, reading as follows:

"Referring December 21 wire your Bank, no objection to including brief narrative of activities your Regulation V Department in Bank's annual report to stockholders, provided such narrative is first submitted to Board."

Approved unanimously.

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Letter to the Comptroller of the Currency, reading as follows:

"Consideration is now being given to a revision of the present standard form of guarantee agreement, dated May 14, 1942, for use in connection with the guaranteeing of loans pursuant to Executive Order No. 9112, and the Board's Regulation V. For your information, there is enclosed a copy of a tentative draft of revision of the standard form of guarantee agreement which has been prepared by representatives of the War Department, Navy Department, Maritime Commission, and the Board of Governors. Copies of this draft have been sent to the Federal Reserve Banks and to other interested parties for their comments and suggestions.

"Before the revision of the standard form of guarantee agreement is finally adopted, the Board will desire to submit to you a copy of the final draft of such revision in order that we may obtain your views as to whether the form of guarantee agreement as so revised will comply with the definition of the term 'unconditional', as used in Exception 10 to Section 5200 of the Revised Statutes, which was issued by you on June 18, 1942."

Approved unanimously.

Letter to the Everhart Surgical Supply Company, Atlanta, Georgia,

reading as follows:

"This is in reply to your letter of December 15, 1942, in which you refer to the application of the Board's Regulation W to credit extended by you to your customers.

"It would appear that you may have been under some misapprehension as to the application of the regulation to your business. We are enclosing a copy of the regulation and call your attention to section 5 having to do with charge accounts. You will note in section 5(b), on page 10, that when a charge account is in default, the creditor shall not extend credit for any charge sale or instalment sale of any listed article until the default has been cured. The list of articles referred to will be found in section 13(a), on pages 22 and 23. It would seem from your letterhead that most, if not all, of the articles in which you deal are not included in this list, although you may sell some furniture which is suitable for use in homes as well as in hospitals and doctors' offices. Generally speaking, if our assumption is correct, most of your sales would be of unlisted

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"articles and could be made no matter what the status of the customer's account.

"We hope this letter will answer your questions. If you wish to make any further inquiries, we suggest that you communicate with the Federal Reserve Bank of Atlanta, in your city. At your request, we have sent copies of this letter to Dr. C. H. Brantley, Lake Worth, Florida, Miami Surgical Supply Co., Miami, Florida, and the Atlanta Chamber of Commerce, Atlanta, Georgia."

Approved unanimously.

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

"Reference is made to the Board's letter of January 17, 1927 (St. 5236), concerning reports from Federal Reserve Banks on arrangements with local clearing house associations and arrangements for group clearing of checks outside of Federal Reserve Bank and Branch cities.

"It is the Board's intention in the future to request these reports about every three years. Accordingly, no report need be submitted as of January 1, 1943, and subsequently until called for."

Approved unanimously.

Memorandum dated December 21, 1942, from the Board's Personnel Committee submitting, and recommending approval of, a proposed budget covering the expenses of the Board of Governors for the year 1943. With the budget was submitted a memorandum dated December 14, 1942, from Mr. Morrill, stating (1) that, due to the necessity of having a cut-off date to permit the preparation of the budget, the divisions of the Board's organization were required to submit their respective budgets not later than December 1, 1942, and, therefore, appointments, resignations, salary changes, or other adjustments approved by the Board subsequent to that date (or such earlier date as of which the individual division budget

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was prepared) and not provided for in the budget would increase or decrease the budget for 1943 accordingly; (2) that the budget did not include employees on military leave except to the extent that provision had been made on their behalf for contributions to the retirement system and reimbursement of premiums on National Service Life Insurance; (3) that, inasmuch as the matter of liability for taxes on the Board's property had not been settled, no provision had been made in the budget for the year 1943 for real estate taxes, penalties, and water rent; and (4) that no provision had been made in the budget for (a) any special contribution to the Retirement System of the Federal Reserve Banks by reason of a proposed revision of the plan whereby increased retirement benefits would be provided for employees of the Board or (b) additional salary expense which might arise from legislation now pending in Congress to increase wages of Government employees.

The budget as submitted was as follows:

Personal Services

Salaries	\$1,372,439.36
Retirement Contributions	<u>75,477.98</u>
Total Personal Services	\$1,447,917.34

Non-Personal Services

Traveling Expenses	\$ 94,050.00
Postage and Expressage	2,033.00
Telephone and Telegraph	71,370.00
Printing and Binding	66,675.00
Stationery and Supplies	21,075.00
Furniture and Equipment	11,390.00
Books and Subscriptions	7,940.00
Heat, Light, and Power	27,000.00
Repairs and Alterations (Building and Grounds)	6,000.00
Repairs and Maintenance (Furniture and Equipment)	4,675.00
Medical Service and Supplies	1,300.00

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Non-Personal Services (Cont'd.)

Insurance	\$ 5,750.00
Miscellaneous	<u>10,995.00</u>
Total Non-Personal Services	<u>\$ 330,253.00</u>

Grand Total	\$1,778,170.34
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Approved unanimously.

Thereupon the meeting adjourned.

Chester Morie
Secretary.

Approved:

Ronald H. Johnson
Vice Chairman.