

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, January 22, 1943, 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 January 21, 1943, were approved unanimously.

Telegrams to Mr. Paddock, President of the Federal Reserve Bank of Boston, Messrs. Treiber and McCree, Secretaries of the Federal Reserve Banks of New York and Philadelphia, respectively, Mr. McLarin, President of the Federal Reserve Bank of Atlanta, and Messrs. Dillard and Hale, Secretaries of the Federal Reserve Banks of Chicago and San Francisco, respectively, stating that the Board approves the establishment without change by the Federal Reserve Bank of San Francisco on January 19, by the Federal Reserve Bank of Atlanta on January 20, by the Federal Reserve Banks of New York, Philadelphia, Chicago, and San Francisco on January 21, 1943, and by the Federal Reserve Bank of Boston today, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

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Memorandum dated January 16, 1943, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that Miss Virginia Mary Paquin be appointed as a clerk in that Division, with salary at the rate of \$1,620 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed satisfactorily the usual physical examination.

Approved unanimously.

Memorandum dated January 19, 1943, from Mr. Smead, Acting Administrator for the War Loans Committee, recommending that, effective February 6, 1943, after having passed satisfactorily the usual physical examination, William E. Pinn be appointed as a messenger in the office of the Administrator for the War Loans Committee, with salary at the rate of \$1,320 per annum.

Approved unanimously.

Memorandum dated January 18, 1943, from Mr. Morrill, recommending that Miss Gweneth Crawford 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 she enters upon the performance of her duties after having passed satisfactorily the usual physical examination.

Approved unanimously.

Memorandum dated January 16, 1943, from Mr. Morrill, recommending, for the reasons stated in the memorandum, that, effective as of the date upon which he reports for duty, William A. Kline, who was granted a

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leave of absence for military duty on November 24, 1942, be temporarily reinstated as printing clerk in the Correspondence and Publications Section of the Secretary's Office for a period of not to exceed 90 days, with salary at the rate of \$2,600 per annum, and that he resume his regular status in the Federal Reserve retirement system during the period of his temporary employment without being required to take the usual physical examination.

Approved unanimously.

Letter prepared for the signature of Chairman Eccles to Mr. Robert M. Barnett, Secretary of the President's Committee on Deferment of Federal Employees, reading as follows:

"I am enclosing a memorandum giving the information requested in your letter of January 7.

"As will be noted from the memorandum, our organization is comparatively small with 422 employees on December 31, 1942 of whom 217 were men. This number does not include our employees on military leave of whom there were 49. In addition 13 of our temporary employees have resigned in order to enter military service.

"Our special problems of deferment arise from the necessity of maintaining a staff with the specialized training and experience required by the Board's regular responsibilities, which have intensified because of the war, and by the new responsibilities directly related to the war program which have been placed upon the Board. Properly to meet these responsibilities it is essential that we be able to retain the services of certain of our key men, not only because of their particular qualifications for producing work themselves, but because of the training and supervision they must give to the newer members of the staff. The need for the retention of such men is heightened by the fact that, in addition to the men who have left to go into military service, we have lost men to other Federal agencies and to private industry. During the years 1941 and 1942, several of the outstanding men on our staff resigned to accept appointments with other Federal agencies or Federal Reserve Banks. In addition a number of the younger and promising young men left to go to other agencies.

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"The above comments and the attached memorandum relate to the staff of the Board of Governors. I do not know whether it comes within the province of your committee but I do wish to bring to the attention of the appropriate individual or agency the problem of the Federal Reserve Banks in maintaining staffs adequate to handle the increasing amount of work. The problem has to do with the retention of key supervisory personnel and, in some cases, with the retention of clerical and maintenance staffs through the recognition that they are engaged in an essential activity.

"The 12 Federal Reserve Banks and their branches, operating under the supervision of the Board of Governors, perform functions of vital importance to the war effort. While the officers and employees of the Federal Reserve Banks are not Federal employees, they are employees of essential agencies of the Government and their activities are of great importance to the government and its program of total war. I think that this situation should be recognized in framing policies for the utilization of manpower.

"If it would be helpful, I should be glad to make arrangements for representatives of the Board to discuss our problems with you at your convenience."

Approved unanimously.

Letter to the board of directors of "The State Bank of Hammond", Hammond, Illinois, stating that, subject to conditions of membership numbered 1 to 3 contained in the Board's Regulation H and the following special condition, the Board approves the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Chicago:

- "4. Prior to admission to membership, such bank, if it has not already done so, shall charge off or otherwise eliminate estimated losses of \$1,300 as shown in the report of examination of such bank as of December 14, 1942, made by an examiner for the Federal Reserve Bank of Chicago."

Approved unanimously, for transmission through the Federal Reserve Bank of Chicago.

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

"Reference is made to your letter of January 15, 1943, and enclosures, concerning the absorption on December 12, 1942, of the Bank of Bradshaw, Bradshaw, Texas, an unincorporated noninsured bank, by The Winters State Bank, Winters, Texas.

"It is understood that the deposits assumed amounted to approximately \$116,000, and, according to the contract between the two institutions, the member bank acquired a like amount of cash. The transaction has been approved by the State Commissioner of Banking, and counsel for the Reserve Bank is of the opinion that the transaction did not cause any change in the general character of the business of the member bank or in the scope of the corporate powers exercised by it within the meaning of condition of membership numbered 1 applicable to that bank. In the circumstances, and in accordance with your recommendation, the Board interposes no objection to the transaction.

"With reference to compliance with the provisions of Section 12B of the Federal Reserve Act requiring the prior written consent of the F.D.I.C. for an insured bank to assume a liability to pay deposits made in a noninsured bank, the Board has received from the F.D.I.C. a copy of its letter to The Winters State Bank dated December 29, 1942, approving the transaction."

Approved unanimously.

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

"There is enclosed a memorandum from the War Department, dated January 13, 1943, signed by Lieutenant Colonel Paul Cleveland, Chief, Advance Payment and Loan Branch, regarding the extensions of maturities of guaranteed loans. As requested by Colonel Cleveland, it will be appreciated if you will advise the Liaison Officer at your Bank of the contents of this memorandum.

"We have been advised by the Navy Department and the Maritime Commission that the procedure outlined in Colonel Cleveland's memorandum may be followed with respect to loans guaranteed by the Federal Reserve Banks on their behalf."

Approved unanimously.

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Letter to Mr. McConnell, Assistant Vice President of the Federal Reserve Bank of Minneapolis, reading as follows:

"Reference is made to your letter of January 13, 1943 in which you state that:

'It frequently happens that where a new guarantee agreement is authorized a part of the collateral stipulated for is an assignment of payments to arise under government contracts which have already been assigned to secure a loan covered by an earlier guarantee agreement, which loan is to be repaid by proceeds of a loan covered by a new guarantee agreement in a larger amount.'

"You point out that in such cases it is often doubtful whether the original assignment is broad enough to secure the new loan and also in view of the language of the Assignment of Claims Act of 1940 relating to 'further assignment' you are doubtful whether a second assignment is permitted under the statute.

"It is our view that the Assignment of Claims Act of 1940 does not prohibit the making of a 'second' assignment. In other words, the original assignment may be discharged and released in which case the contract is free to support a second assignment. Where this is done, however, it is necessary for all persons on notice of the first assignment to be furnished with a copy of the release. The second assignment may then be made in accordance with the usual procedure. Incidentally, we have been advised informally by a representative of the General Accounting Office that the above practice has been followed in numerous cases and is not regarded by that Office as a 'further assignment' within the meaning of that term in the Assignment of Claims Act of 1940.

"Therefore, if there is any doubt as to whether the original assignment under the situation described in your letter is broad enough to secure the new loan it would appear to be advisable to follow the above procedure."

Approved unanimously, together with a letter to Lieutenant Colonel Paul Cleveland and Messrs. Sidney A. Mitchell and R. E. Anderson of the War Department, Navy Department, and Maritime Commission, respectively, enclosing copies of the incoming letter and the above reply for their information.

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Letter to Mr. Hays, Vice President and Secretary of the Federal Reserve Bank of Cleveland, reading as follows:

"This refers to your letter of December 10, 1942 with regard to the apparent violations of Regulation W by the Imperial Upholstering Company of Cleveland, Ohio.

"As indicated by the program which it has heretofore adopted for the enforcement of Regulation W, the Board feels that where a person subject to that Regulation apparently continues to violate the Regulation wilfully, after it appears that such violations are not through inadvertence or ignorance, steps should be taken to determine whether or not his license should be suspended. Any such action, of course, should be taken in consultation with your counsel, and in this connection attention is called to the letter of August 14, 1942 which the Board's General Attorney addressed to your counsel enclosing certain tentative forms indicating in general the procedure to be followed. In this letter the Board's General Attorney also called attention to the views of a group of counsel of the Federal Reserve Banks, who considered the tentative forms, regarding the type of case which justified suspension proceedings. The Board feels that the Federal Reserve Bank is in the best position to reach a conclusion, in the light of all of the facts and circumstances involved, as to the corrective action which should be taken in any particular case. If, in the light of the foregoing, you and your counsel are of the opinion that this is a case in which corrective steps should be taken, the Board knows of no reason why you should not proceed in the usual course to obtain a correction of any violations by the Imperial Upholstering Company, even if such steps should eventuate in a hearing to determine whether or not the license of this concern should be suspended.

"In the last paragraph of your letter you state that you would like to have an order requiring the Imperial Upholstering Company to produce all of its books and records and complete information concerning its various transactions. It is not apparent that it would be appropriate for the Board to issue such an order at this time but if such an order should become necessary a draft of it should be prepared by your counsel and submitted to the Board with a statement of the facts as to why it is necessary for such an order to be issued."

Approved unanimously.

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Letter to Mr. Raisty, Manager of Consumer Credit Control at the Federal Reserve Bank of Atlanta, reading as follows:

"This refers to your letter of December 26, 1942 with regard to the enforcement of Regulation W in the field of unregulated lenders, particularly those lenders who make loans in very small amounts.

"The Board's program of enforcement contemplates that, in addition to vendors, the Federal Reserve Banks will in usual course make investigations of unregulated lenders. However, with a limited force of investigators, their efforts should be utilized as efficiently as possible in achieving the objectives of the Regulation.

"It is our understanding that lenders such as the one referred to in your letter make loans which are usually extremely small in amount. Consequently, the effect of their transactions upon the total volume of consumer credit is evidently very small, and this fact should be taken into account by the Federal Reserve Bank in exercising its discretion as to the nature and extent of the effort which should be expended and the number of visits which should be made in an endeavor to obtain compliance with the Regulation.

"As indicated in your letter, lenders of the kind mentioned present various problems in connection with Regulation W and it may be that the next time you are in Washington it would be desirable to have some oral discussion of these problems."

Approved unanimously.

Thereupon the meeting adjourned.

Approved:


Chairman.


Secretary.