A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, February 16, 1943, at 4:45 p.m.

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

Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary
Mr. Clayton, Assistant to the Chairman

Mr. Evans stated that the office of the Comptroller of the Currency had informally advised Mr. Smead, Chief of the Division of Bank Operations, that it preferred to make only three calls a year for reports of condition of member banks and would like to know whether this year the Board would prefer to have a call made in the spring or the fall. The statement was also made that the matter had been discussed by Mr. Smead with Messrs. Goldenweiser and Thomas of the Division of Research and Statistics and that they were favorable to the suggestion that a call made in the fall of this year might be of greater value than a spring call.

After discussion, upon motion by Mr. McKee, it was voted unanimously to authorize Mr. Smead to advise the office of the Comptroller of the Currency informally that the Board would be agreeable to the omission of the spring call.

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 February 15, 1943, were approved unanimously.
The minutes of the meeting of the Board of Governors of the Federal Reserve System with the Federal Advisory Council held on February 15, 1943, were approved unanimously.

Memoranda dated February 12 and 16, 1943, respectively, from Mr. Morrill, recommending that Mrs. Nola Lewis and David DeLucien be appointed as kitchen helpers in the Secretary's Office on a temporary basis for a period of not to exceed 60 days, each with salary at the rate of $1,080 per annum, effective today.

Approved unanimously.

Letter to Mr. Leach, President of the Federal Reserve Bank of Richmond, reading as follows:

"In accordance with the request contained in your letter of February 2, 1943, the Board of Governors approves the payment of a salary to Mr. J. P. Green for a further period of six months ending June 4, 1943, at the rate of $2,880 per annum, which is $780 in excess of the maximum annual salary provided in the personnel classification plan of your Bank for the position now temporarily occupied by Mr. Green."

Approved unanimously.

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

"Receipt is acknowledged of your letter of February 11, 1943, advising that on account of the illness of Mr. Relf, Assistant Manager of the Seattle Branch, Mr. R. E. Everson, Assistant Cashier at the Head Office, has been appointed Assistant Manager of the Seattle Branch, effective February 15, 1943, at his present salary of $5,000 per annum. The Board approves payment of the salary of $5,000 per annum to Mr. Everson in his new capacity.

"We are sorry to learn of the illness of Mr. Relf and hope that he will make a good recovery."

Approved unanimously.
Letter to the board of directors of "The Holgate State Bank", Holgate, Ohio, stating that, subject to conditions of membership numbered 1 to 3 contained in the Board's Regulation I, 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 Cleveland.

Approved unanimously, together with a letter to Mr. Fleming, President of the Federal Reserve Bank of Cleveland, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of 'The Holgate State Bank', Holgate, Ohio, for membership in the Federal Reserve System, subject to the conditions prescribed in the enclosed letter which you are requested to forward to the Board of Directors of the institution. Two copies of such letter are also enclosed, one of which is for your files and the other of which you are requested to forward to the Superintendent of Banks for the State of Ohio for his information.

"It is assumed that you will follow the matter of the bank's bringing into conformity with the provisions of law and the Board's regulations the savings account mentioned on page 16 of the report of examination for membership."

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

"Reference is made to your letter of February 10, 1943, regarding the proposed purchase of certain assets and assumption of the deposit liabilities of The Arsenal Bank of Pittsburgh, Pittsburgh, Pennsylvania, a nonmember insured State bank, by the Peoples-Pittsburgh Trust Company, Pittsburgh, Pennsylvania.

"It is understood that the deposits to be assumed amount to approximately $1,900,000 and the assets to be acquired will include approximately $1,200,000 in cash and United States Government obligations; also that the plan does not contemplate the establishment of an additional branch office by the Peoples-Pittsburgh Trust Company. It is understood also that prior to consummation of the transaction an investigation will be made of the assets to be acquired and liabilities to be assumed."
"On the basis of the information submitted the Board concurs in your opinion that the transaction will not result in any change in the general character of business or the scope of corporate powers exercised by the member bank. Therefore, in accordance with your recommendation, the Board will interpose no objection to completion of the transaction substantially as proposed provided prior approval of the appropriate State authorities is obtained and counsel for the Reserve Bank is to be satisfied as to the legal aspects involved."

Approved unanimously.

Letter to Honorable Charles O. Andrews, United States Senate, reading as follows:

"This is in response to your request of February 10 for information in connection with a letter which you referred to us from Mr. D. L. Dudley, Secretary-Manager, Industrial Loan and Investment Co., Inc., Orlando, Florida. It relates to the regulation of consumer credit, which is administered by the Board pursuant to Executive Order No. 8843, issued August 9, 1941, of which a copy is enclosed.

This company is a 'small-loan company', listed as such in the 1942 'Roster' of such companies published by the American Association of Personal Finance Companies. This record indicates, however, that this particular company is not a member of that association, with which the Board has been in touch from the beginning, or of the corresponding State association.

Your correspondent's letter states that administration of consumer credit regulation in war time by the Federal Reserve System 'serves admirably', but goes on to say that 'in the post-war phase when consumer credit will again expand, it would seem anomalous for Federal Reserve to police its own function since banks should and probably will be the largest grantors of consumer credit'.

As bearing on this proposition, you will be interested in certain facts of which, judging by your correspondent's letter, he does not seem to be aware. In the Executive Order designating the Board as the agency through which consumer credit shall be regulated, the President stated that 'it is appropriate that such credit be controlled and regulated through an existing governmental agency which has primary responsibilities with respect to the determination of national credit policies' and that the Order is effective only 'in the
"national emergency declared by me on May 27, 1941'. Whether consumer credit regulation, or the Board's present authority with respect thereto, will continue into 'the post-war phase', is consequently a question that does not seem likely to arise for some time to come. In any event, the question is not one with respect to which the Board has ever taken a position, either one way or the other. It will presumably be a question to be determined, in due time, by the Congress.

"Whether or not the banks will eventually be 'the largest grantors of consumer credit' is evidently a matter of opinion. In the field of instalment loans made directly to consumers, in which small-loan companies specialize, the volume of outstanding loans held by commercial banks has been declining of late much more rapidly than those of the small-loan companies and was at the end of 1942 about 12 per cent less than the volume held by the small-loan companies. In regulating these loans, however, the Federal Reserve is not 'policing its own function', because the Federal Reserve Banks extend no consumer credit and the Board of Governors of the Federal Reserve System extends no credit of any kind. Concerned as it is with the determination of national credit policies, the Board is a Governmental body of which, as you know, all the members are appointed by the President and confirmed by the Senate.

"We have been glad to take care of your request and are actively interested in doing what we can to answer any questions concerning consumer credit regulation that may at any time occur to you or any of your friends."

Approved unanimously.

Letter to Mr. Nardin, Chairman of the Federal Reserve Bank of St. Louis, reading as follows:

"The Board has read with considerable interest your letter of December 30, 1942 in reply to its letter of November 18, 1942 requesting advice as to the actions taken by the directors in connection with the resolutions adopted by the Conference of Chairmen on October 5, 1942.

"It is stated in your letter that some of the proposals discussed, if carried into effect, particularly the proposal to expand the activities of the branches, would tend to increase the cost of operation. It is also stated that since the attitude of the Board of Governors appears to have changed since its letter of March 25, 1936 a formal statement of the present attitude of the Board would be helpful in the operation of the Bank and in planning for the future."
"The Board feels sure that you agree that the Federal Reserve System should not be a static organization since the economy it serves is not static and since varying conditions over a period of years may make it essential to enlarge or to curtail the services rendered member banks and the public. Therefore, the Board's position is not static and its wish is that the services and facilities of the Federal Reserve System be adjusted from time to time to the needs of the current situation.

"With respect to both earnings and expenses, as you know, the picture at the present time is materially different from that in 1936, and it is the Board's view that expense may properly be viewed in relation to the current volume of Reserve Bank income and the source of that income. In particular, it is proper to consider it in the light of the greatly increased responsibilities that have been placed upon the Federal Reserve Banks in connection with the war program. The Board, therefore, feels that the System need not shrink from the expense of providing services that are justified in the public interest and that lie within the System's province."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrie
Secretary.

Approved.

Chairman.