

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, February 24, 1943, at 11:00 a.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

The action stated with respect to each of the matters hereinafter referred to was taken by the Board:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on February 23, 1943, were approved unanimously.

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

"In accordance with your request, the Board of Governors approves the changes in the Personnel Classification Plan of your Bank affecting positions in the Audit Department, as submitted with your letter of February 13, 1943."

Approved unanimously.

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

"In accordance with the request contained in your letter of February 18, 1943, the Board approves the appointment of Alfred W. Winter as an assistant examiner for the Federal Reserve Bank of Cleveland. Please advise us of the date upon which this appointment becomes effective and also as to the salary rate.

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"It has been noted that Mr. Winter is indebted to The Cleveland Trust Company, Cleveland, Ohio, a State member bank, in an amount approximating \$4,200, represented by an FHA mortgage loan. Accordingly, the Board's approval of the appointment is given with the understanding that the indebtedness to the State member bank will be liquidated or financed through sources other than banks."

Approved unanimously.

Letter to Mr. Day, Chairman of the Presidents' Conference, Federal Reserve Bank of San Francisco, reading as follows:

"At the meeting of the Presidents of the Federal Reserve Banks with the Board of Governors on January 26 you reported that at the Presidents' Conference in Philadelphia the previous week a special committee was appointed to study various aspects of loans under Regulation V, including cancellation and renegotiation of contracts and meeting capital requirements of industrial plants during the reconversion period after the war. During the meeting it was requested that the Board select one of its members to be associated with the committee. The Board is pleased to designate Mr. McKee to serve in this capacity.

"We have not been informed of the membership of the special committee and, therefore, advice of the designation of Mr. McKee is being sent to you with the request that you ask the Chairman of the committee to communicate directly with Mr. McKee."

Approved unanimously.

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

"This is with reference to your letter of February 8, 1943, with which you enclosed a copy of a letter dated February 4, 1943 from the Blackstone Valley Gas and Electric Company, Pawtucket, Rhode Island, concerning the problems which are created under Regulation W when fuel dealers sell solid fuel in charge accounts for delivery in summer months, starting during May, with payment deferred until the start of the heating season, namely, around November 1. You refer to the fact that the charge account is in default on the 10th day of the second month following the date of the fuel purchase and the merchant is prohibited from selling any listed

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"article on credit until the default has been cured. Your correspondent points out that this is a handicap on the program to foster early deliveries of solid fuel so that the burden upon the transportation system will be spread over the entire year and concentrated to the utmost during the summer.

"This same question arose shortly after Regulation W was revised on May 6, 1942 and the charge account provisions were introduced. There was some confusion in the trade and certain of the merchants were for some time restricting credit for solid fuel as if it were a listed article. The matter was discussed with the Office of the Bituminous Coal Consumers Counsel and the Office of Defense Transportation and a letter was written, copies of which were distributed widely. The interpretation of Regulation W that appears on page 756 of the Federal Reserve Bulletin for August 1942 was taken from that letter. At the time the interested government agencies appeared to be satisfied that Regulation W was not standing in the way of the program for encouraging early deliveries. Since the regulation would have an effect upon the situation only in those cases where the customer wanted to buy a listed article from the fuel dealer and the fuel had been purchased in a charge account which was in default and since few solid fuel dealers distribute listed articles, it was thought that the problem was unimportant.

"It is quite desirable that the situation be examined again at this time in the light of possible changes in conditions since last year. You have referred to the fact that the regulation is now well known and the dealers may feel a responsibility to call to the attention of their customers the fact that they may find themselves hampered in the purchase of listed articles. To this point may be added the fact that the need for early deliveries is even more urgent this year and the fact that most people will feel that they need credit more this year. On the other hand, fuel dealers will certainly have fewer listed articles available for sale.

"It is possible that whatever the actual prospective effect of the regulation this year, it may be considered desirable to amend the regulation to except all credits for the purchase of fuel. This point could then be used in the campaign to urge early purchases in charge accounts, in the same way as Amendment No. 6 concerning fuel conservation credits was used last summer. This will, of course, depend upon the reactions of the various government agencies interested in the problem. We shall want to take occasion to inquire into the situation when the opportunity arises.

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"In the meantime, if you receive further inquiries or obtain additional information on the subject, we should like to be advised."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morris
Secretary.

Approved:

W. S. Cullen
Chairman.