A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, March 30, 1943, at 10:30 a.m.

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

Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary
Mr. Clayton, Assistant to the Chairman
Mr. Thurston, Special Assistant to the Chairman
Mr. Goldenweiser, Director of the Division of Research and Statistics
Mr. Smead, Chief of the Division of Bank Operations
Mr. Dreibleilbis, General Attorney
Mr. Wyatt, General Counsel
Mr. Thomas, Assistant Director of the Division of Research and Statistics

Before this meeting there had been circulated among the members of the Board a draft of letter, prepared in accordance with the action taken at the meeting of the Board on February 11, 1943, to the Chairmen of the Banking and Currency Committees of the Senate and House of Representatives, reading as follows:

"The Board of Governors of the Federal Reserve System respectfully recommends (1) that the temporary authority contained in the second paragraph of section 16 of the Federal Reserve Act to use direct obligations of the United States as collateral security for Federal Reserve notes be made permanent, and (2) that the provisions of the third paragraph of section 16 of the Federal Reserve Act prohibiting a Federal..."
"Reserve Bank from paying out notes of another Federal Reserve Bank be repealed. For the consideration of your Committee, there is enclosed a draft of a bill which would accomplish these purposes.

"Section 16 of the Federal Reserve Act was amended by the Act of February 27, 1932, so as to provide that until March 3, 1933, the Board, if it deemed it in the public interest, should have authority, by the affirmative vote of not less than a majority of its members, to authorize the Federal Reserve Banks to offer and the Federal Reserve Agents to accept direct obligations of the United States as collateral security for Federal Reserve notes. This authority was extended for temporary periods by the Acts of February 3, 1933; March 6, 1934; March 1, 1937; June 30, 1939; and June 30, 1941. Unless renewed or made permanent this authority will expire on June 30, 1943. During the early years covered by these amendments direct obligations of the United States were pledged as collateral for Federal Reserve notes until the amount of gold certificates held by the Federal Reserve Banks and due from the United States Treasury increased to such an extent that it became unnecessary to continue the use of direct obligations of the United States as collateral. From May 28, 1933, until recently the amount of such gold certificates was so greatly in excess of the amount of Federal Reserve notes in circulation that the Federal Reserve Banks were able to pledge gold certificates with the Federal Reserve Agents as collateral security for all Federal Reserve notes issued to them, without in any way impairing their reserves against deposits. However, as the result of a steady increase of money in circulation during the past two years, it has recently become necessary for the Federal Reserve Banks to pledge Government securities with the Federal Reserve Agents as collateral for Federal Reserve notes. As of February 10, 1943, six of the Federal Reserve Banks had pledged such securities as collateral for Federal Reserve notes in an amount totaling $395,000,000. If the authority of the Federal Reserve Banks to do this should be permitted to expire, many of the Reserve Banks could not continue to participate in System purchases of Government securities, and therefore the System would be hindered in carrying out the policies adopted for the purpose of providing member banks with adequate reserves to support their participation in the Government's financing program. Accordingly, it is urged that the authority to pledge Government securities against Federal Reserve notes now be made permanent."
"The third paragraph of section 16 of the Federal Reserve Act contains the following provisions:

"Whenever Federal reserve notes issued through one Federal reserve bank shall be received by another Federal reserve bank, they shall be promptly returned for credit or redemption to the Federal reserve bank through which they were originally issued or, upon direction of such Federal reserve bank, they shall be forwarded direct to the Treasurer of the United States to be retired. No Federal reserve bank shall pay out notes issued through another under penalty of a tax of ten per centum upon the face value of notes so paid out.'

"The above provisions were enacted as a part of the original Federal Reserve Act with the purpose of contributing to the adjustment of the amount of Federal Reserve notes in circulation to the requirements of business and industry. It was expected that since such notes would be issued to member banks against the rediscount of the notes of customers of such member banks, the amount of Federal Reserve notes in circulation would automatically fluctuate as borrowings by business enterprises increased or decreased in accordance with seasonal and cyclical changes in business. Experience over the years, however, has conclusively demonstrated that the requirement for the return of fit Federal Reserve notes to the Federal Reserve Banks of issue has no effect on the amount of Federal Reserve notes in circulation. Such notes as are returned to the Federal Reserve Banks of issue in accordance with the requirements of the law are again placed in circulation as demand for currency appears. Currency not needed for circulation is returned to the Federal Reserve Banks for credit to the reserve accounts of the member banks. In other words, the amount of currency in circulation rises and falls in accordance with changes in the demand for currency on the part of the public.

"The cost of sorting fit Federal Reserve notes according to the twelve banks of issue and of shipping such notes to the banks of issue is presently in excess of $200,000 a year. The repeal of the provisions in question not only would eliminate this expense but, more important, would save a considerable amount of manpower so urgently needed in the war effort."

Chairman Eccles stated that it would be his suggestion that the letters be held until the bill now before the House of
Representatives, which would exempt war loan deposits from the Federal Deposit Insurance Corporation assessments and the requirement that reserves be maintained against such deposits, had been approved by Congress, and that, as soon as that bill was out of the way and there would be no possibility of further delay in its consideration, he should call on Messrs. Wagner and Steagall, Chairmen of the Senate and House Banking and Currency Committees, and personally present the letters above referred to. The question in his mind, Chairman Eccles said, was whether it would be advisable from the standpoint of the prompt enactment of the legislation to include the suggestion with respect to the repeal of the provision prohibiting one Federal Reserve Bank from paying out the notes of another Reserve Bank.

In connection with the discussion of this matter, Mr. Ransom called attention to a memorandum prepared by Mr. Goldenweiser under date of March 6, 1943, in which Mr. Smead concurred, and which stated among other things that on economic grounds there was no reason for retaining the prohibition, but that there was no particular reason for repealing it, that on operating grounds there was every reason to repeal it, and that the only question was whether it would arouse a controversy which would be worth while at this time. The memorandum also stated that the latter question was entirely one of policy for decision by the Board.

Mr. Ransom also referred to a memorandum dated March 4, 1943, from Mr. Dreibelbis with respect to whether a request by the
Board for this legislation would be embarrassing in connection with the controversy with the District of Columbia over taxation of the Board's building in that the request would not include a request that the Board's building be exempted from taxation. Mr. Dreibelbis pointed out that while the District might raise some question as to why such a request was not included there should be no embarrassment to the Board in the matter for the reasons which were outlined in the memorandum.

Mr. Ransom stated that, while he was in agreement with Chairman Eccles' suggestion as to how the proposed letters to Messrs. Wagner and Steagall should be handled, Mr. McKee had expressed the feeling that any reference to the repeal of the prohibition against one Federal Reserve Bank paying out the notes of another Reserve Bank should be eliminated from the bill and that the bill should be transmitted immediately to the Chairmen of the Banking and Currency Committees.

In the ensuing discussion, the members of the Board present indicated agreement with the procedure suggested by Chairman Eccles, and he stated that, since it was expected he would testify on Thursday, April 1, on the bill with respect to war loan deposits which was now before the House Banking and Currency Committee, he would appreciate it if the Board would take action on the proposed letters to Messrs. Wagner and Steagall so that in the event it should appear desirable to do so he could present the letter to Mr. Steagall at that time.
At the conclusion of the discussion, upon motion by Mr. Szymczak, the drafts of letters to Messrs. Wagner and Steagall were approved unanimously, with the understanding (1) that they would be turned over to Chairman Eccles to be delivered in person at such time as he deemed appropriate, (2) that, if in discussing the matter with Messrs. Wagner and Steagall Chairman Eccles should feel it advisable to eliminate from the letters and the accompanying draft of bill any reference to the repeal of the prohibition against one Federal Reserve Bank paying out the notes of another Reserve Bank, he would be at liberty to do so, and (3) that Mr. McKee, upon his return to Washington, would have the opportunity to record in the minutes his position on the action taken by the Board.

Reference was then made to a memorandum dated March 16, 1943, from Mr. Gardner, Senior Economist in the Division of Research and Statistics, referring to previous discussions with respect to the possible employment by the Federal Reserve System for a period of not to exceed six months beginning June 1, 1943, at a salary of $125 per month, of Mr. Jorge Tejada of Bolivia, who was in the United States in connection with the trade scholarship program of the Coordinator of Inter-American Affairs under which various carefully selected Latin Americans with well-defined interests were being brought to the United States for training. The memorandum stated that inasmuch as Mr. Tejada was in St. Louis it was thought he might appropriately be assigned to the St. Louis Reserve Bank, but that he might also spend some time in the Board's offices, and that at the Reserve Bank he would assist in the operating services and at the Board in making a monetary and banking study of Bolivia. The memorandum
All stated that when the Board had passed on the question of policy in Mr. Tejada's case it would be possible to advise the Office of the Coordinator of Inter-American Affairs and to approach the Federal Reserve Bank of St. Louis to determine its willingness to cooperate in the program. Mr. Goldenweiser had noted on the memorandum that he concurred in Mr. Gardner's recommendation that Mr. Tejada be given an opportunity to work in the Federal Reserve System for perhaps six months at a beginner's salary at the rate of $125 per month, and the memorandum had been circulated among the members of the Board before this meeting.

Mr. Szymczak stated that he felt the Board should favor the employment of Mr. Tejada if it were felt that he could be assigned to work which it would be appropriate for him to do, having in mind that he was not a citizen of the United States, and Mr. Goldenweiser said that that could be done.

Mr. Dreibelbis raised the question whether there was any legal prohibition against the employment of an alien in such circumstances, and it was understood that he would look into that matter.

On motion by Mr. Szymczak, it was agreed unanimously, subject to determination by counsel that there was no legal objection, that the Board would be willing to approve the employment of Mr. Tejada by the Board and the Federal Reserve Bank of St. Louis for a period of not to exceed six months, with salary at the rate of $125 per month.

Secretary's note: Following the meeting, Mr. Dreibelbis informed Mr. Morrill that after reviewing the statutes he was satisfied that there was no legal objection to the proposed arrangement with Mr. Tejada.
In connection with the above matter, Mr. Goldenweiser stated that a bankers' mission from Uruguay had arrived in the United States, and that the Office of the Coordinator of Inter-American Affairs had requested that the Board's staff suggest a program for the members of the mission while they were in this country. He also said that a program was being prepared which, with the concurrence of Mr. Morrill, would provide that the work of the members of the mission while they were at the Board's offices would proceed under the direction of Mr. Hammond, Chief of the Correspondence and Publications Section of the Secretary's Office.

Unanimous approval was given by the Board to the handling of the matter in the manner outlined.

At this point, Messrs. Goldenweiser and Thomas withdrew from the meeting.

There was also presented a memorandum dated March 13, 1943, from Mr. Szymczak submitting (1) a letter dated February 19, 1943, from Mr. Paddock, President of the Federal Reserve Bank of Boston, with respect to counsel fees in the case of Ford vs. C. E. Wilson & Company and the present arrangement with counsel at the Boston Reserve Bank, (2) a memorandum dated March 10, 1943, from Mr. Dreibelbis on the same subject, and (3) a draft of letter to Mr. Paddock stating that, in view of all the circumstances, the Board reluctantly approved payment of the fee and that it did not feel it could continue to approve the retention and payment of Mr. Ketchum, Associate Counsel at the Bank, after April 30, 1943, the date to which the existing arrangement had been approved.
The memorandum had been circulated among the members of the Board, and Mr. Szymczak stated that one view was that the payment of the fees in question should be approved and President Paddock advised informally that the arrangement with the Bank's Associate Counsel would not be approved after April 30, 1943, and that another view was that the bill for legal services should be approved in a reduced amount and Mr. Paddock advised that the arrangement with Associate Counsel should be terminated as of April 30. Mr. Szymczak went on to say that whichever course of action was adopted the question would remain of a satisfactory arrangement at the Boston Bank for legal services.

In the ensuing discussion it was stated that Mr. Ketchum's firm was working on certain other matters in connection with which there would be fees, and Chairman Eccles suggested that the procedure to be followed should be to inform Mr. Paddock that the Board would not be willing to approve the retention of Mr. Ketchum as Associate Counsel after April 30, 1943, that he should be requested to submit a bill covering all legal services rendered to that date, and that the Board would withhold a final decision on the question whether it would approve the fees in connection with the Ford case until such a bill had been received.

Upon motion by Mr. Szymczak, Chairman Eccles' suggestion was agreed to unanimously, with the understanding that a draft of letter to Mr. Paddock would be prepared in accordance therewith and that Mr. Szymczak would discuss the matter over the telephone with Mr. Paddock, after which the letter would be sent in such form as was approved by Mr. Szymczak.

At this point Mr. Parry, Chief of the Division of Security Loans, entered the meeting.
Mr. Szymczak said that recently Mr. Williams, President of the Federal Reserve Bank of Philadelphia, called on the telephone and stated that there was pending before the Pennsylvania Legislature a bill to permit State and municipal funds to be invested in Government securities and that it would be of material assistance to those working for the enactment of the legislation if it could be said that the securities purchased with such funds could be held in safekeeping at the Federal Reserve Bank. Mr. Szymczak said that he told Mr. Williams that he could not speak for the Board, but that subsequently Mr. Williams had written a letter to Mr. Bailey, Vice President of the Harrisburg Trust Company, in which it was stated that Mr. Szymczak had issued a permissive ruling which would enable the Federal Reserve Bank of Philadelphia to provide safekeeping facilities for direct obligations of the United States acquired by the State government or any local unit thereof, and that this ruling was an extension of the position that had been taken by the Board of Governors that it would offer no objection to a Reserve Bank holding Treasury bills and certificates of indebtedness in safekeeping for nonmember banks for the duration of the war. Mr. Szymczak went on to say that he was presenting the matter at this time as it raised a question upon which the Board should rule.

Mr. Smead pointed out that in the past the Board had discouraged Federal Reserve Banks from holding securities in safekeeping for member banks in Federal Reserve Bank and branch cities, that, if a policy were adopted under which Government securities were held in safekeeping for States and political subdivisions thereof, the Reserve Banks might be
deluged with requests from this source and from member banks beyond the
vault capacity of the Federal Reserve Banks, and that it would be helpful
in meeting this situation if the Board would take the position that it
would grant such requests only in the absence of adequate vault facilities
on the part of the holder.

At the conclusion of a discussion, it
was understood that a letter would be sent
to the Presidents of all the Federal Reserve
Banks stating that the Board would have no
objection to their rendering this service
if they so desired and found it practicable
do so, and that the Chairman of the Pres-
idents' Conference would be requested to
place the matter on the program for the next
Conference of Presidents for the formulation
of a recommendation as to a uniform System
policy.

At this point Mr. Smead withdrew from the meeting.

Reference was also made to a memorandum addressed to the Board
by Mr. Ransom under date of March 11, 1943, submitting a letter dated
March 5, 1943, from Mr. F. B. Hubachek of the Credit Policy Office of
the Office of Price Administration, with which was enclosed an informal
list of changes which the Office felt would increase the effectiveness
of Regulation W. The letter stated that with the exception of the lay-
away problem it was believed that none of the suggestions was urgent in
point of time. There was also attached to Mr. Ransom's memorandum a
copy of his letter of March 11, 1943, in reply to Mr. Hubachek's letter,
which read in part as follows:

"It is noted that with the exception of the lay-away
problem your office does not believe that any of these sug-
uggestions is urgent in point of time. I share your puzzlement
"about an appropriate time schedule if any of your proposed changes or other changes of a major nature might be adopted by the Board. As I said in our discussion on March 3, I would like to wait until we have a chance to analyze the figures for the first quarter of this year before considering for action any important changes. I am not unaware of the deadline question on the fall mail order catalogues. Every consideration should be given to the position in which these houses are placed when material changes are put into effect just after their catalogues are printed or sent out. It might not, under some circumstances, be a controlling factor but should always be considered when possible.

"In view of my own personal feeling that we should defer action until after an analysis of figures for the first three months of the year, I would prefer for the Board not to consider any of your informal proposals and some others we have in mind until after that date, dealing with the mail order catalogue problem in the light of what we may be faced with in the way of indicated action at that time. I have an idea that the lay-away problem may be in process of solving itself by action on the part of merchants and would like to wait a while on that one. However, if your office has a different view and would like the matter formally considered by the Board I would take pleasure in seeing that this is done.

"If it lay within the power of Regulation W to effectively combat inflation and it was something more than merely one of the weapons available to the Government or action was being taken on all other fronts at the same time I would consider it more appropriate to then, and in that event, tighten it up in some places. I doubt if such action is indicated at this time. If we should find that the results for the first quarter of the year are not satisfactory that would necessitate an over-all look at the situation and decision on what major action is then indicated."

Mr. Ransom's memorandum stated (1) that Mr. Nugent of the Office of Price Administration had stated over the telephone that Mr. Ransom's reply to Mr. Hubachek's letter was not unsatisfactory to the Office of Price Administration, (2) that if any member of the Board felt that any or all of the proposals should be considered by the Board at this time the matter would be given that direction, and (3) that it was believed
desirable that there be available information with respect to the reduction in the amount of outstanding consumer credit during the first three months of this year before consideration was given to a further tightening of Regulation W. The memorandum had been circulated among the members of the Board, and Mr. Szymczak had suggested that the amendments enclosed with Mr. Hubachek’s letter be discussed informally at a meeting.

Mr. Hubachek’s letter and Mr. Ransom’s reply were read, and Mr. Ransom stated that on the basis of the best estimates available it would appear that the volume of consumer credit outstanding at the time Regulation W was adopted, in the amount of $9,723,000,000, had been reduced by February 28, 1943, (involving some forecasting) to $5,435,000,000, and that by June 30 of this year it was estimated that it would be further reduced by an additional amount of $793,000,000, or by more than $5,000,000,000 from the time the regulation had been in effect to June 30, 1943. He also said that suggested amendments to the regulation had been proposed from time to time by the Office of Price Administration, that it had appeared to him that the amendments generally were minor and would involve only a small amount of credit, and that, while the amendments might make the regulation somewhat more effective, it was undesirable from the standpoint of public acceptance and understanding of the regulation to amend it too frequently. He added that the representatives of the Office of Price Administration had experienced difficulty from frequent amendments of their own regulations and had sympathy with his position on this point.
Mr. Ransom then reviewed the list of proposed amendments, and, in connection with a suggestion that the Board undertake to control advertising used to encourage or facilitate evasions or violations of the regulation, Chairman Eccles outlined the reasons for his view that the question of advertising was a large problem that should not be dealt with merely on the basis of possible violations of Regulation W. Mr. Ransom agreed.

Mr. Ransom stated that it would be his recommendation that no action be taken by the Board to amend Regulation W unless (1) something unforeseen occurred which might require the amendment of the regulation in some of its technical phases, or (2) the Government should adopt a policy of an all-out fight against inflation, or (3) the figures for the first quarter of 1943 showed that the reduction was leveling off or possibly some upward trend had developed in the total figures, which he saw no reason to expect at the present time as January figures indicated a continued decline in the totals.

Mr. Ransom said that he and Mr. Parry were inclined to believe that the lay-away problem was not of a magnitude to indicate amendment and that both of them hoped that it was in the process of correcting itself. He went on to say that this view was not shared entirely by Office of Price Administration consultants. On the over-all program covered in the three above items, Mr. Ransom said that Office of Price Administration consultants were not in disagreement generally with what he was recommending as present procedure. All of the members of the Board present expressed agreement with this procedure.
At this point Mr. Parry left the meeting.

Mr. Szymczak stated that under date of March 20 a letter was received by the Chairman from Mr. Wayne Coy, Acting Director of the Budget, reading as set forth below, and that the matter was being brought to the attention of the Board for consideration of the question whether the Budget Bureau examiners should visit the Federal Reserve Banks or whether a more effective arrangement would be for them to confer with members of the Board and its staff in Washington.

"In view of the continually increasing services being rendered Federal agencies by the Federal Reserve banks and branch banks, and the substantial sums included in the budget estimates of these agencies as reimbursement therefor, it is believed that it would be to our mutual advantage to have this Bureau more fully informed as to the nature of the services being performed, the method of determining the charges relating thereto, and the possibilities of further utilization of the Reserve banks' facilities.

"With your approval, I have in mind that two Budget Examiners, primarily concerned with the activities of the Treasury Department, the Reconstruction Finance Corporation and its subsidiaries, the Commodity Credit Corporation, and the Farm Credit Administration, would in the near future spend one or possibly two days at several of the Reserve banks and their branches as a supplement to their review of the field activities of their respective agencies. This would permit them to acquire a general understanding of the procedures and operations relating to the fiduciary services rendered. Since such services have proved so satisfactory and economical, it is possible that other Federal agencies also should use them and thereby avoid the establishment of unnecessary field offices. If time permits, I should like also for the Examiners to obtain information regarding loans made for industrial purposes under Executive Order 9112, dated March 26, 1942, with the view of determining approximately the contingent liability of the War and Navy Departments and the Maritime Commission.

"I hope this suggestion meets with your approval and that arrangements can be made which will permit such visits in the near future."
Chairman Eccles stated that he had asked Mr. Clayton to talk to Mr. Coy and suggest that before anyone was sent to the Federal Reserve Banks the matter be discussed with representatives of the Board, as the desired information might be available here, that so far as he (Chairman Eccles) was concerned he was in complete sympathy with the position of the Budget Bureau and appreciated the problem with which it was faced, that he was sure the Board would want to be fully cooperative, but that before anyone went into the field the matter should be discussed so that if it were felt necessary that someone visit the Banks there would be a definite determination of what was wanted and the Board could advise the Banks that representatives of the Budget Bureau were visiting the Banks with the full approval of the Board.

Mr. Clayton stated that he had called Mr. Coy's office but that Mr. Coy was not available, and that yesterday morning Mr. Wooten, a principal Budget examiner, called on the telephone and said that he would come over to the Board's offices. Mr. Clayton added that Mr. Wooten called yesterday afternoon and stated that Messrs. Bergholz and Willis, examiners for the Bureau of the Budget, had already left for Atlanta and that they carried with them a letter from Mr. Mulligan, Director and Treasurer of the Reconstruction Finance Corporation, stating that they would be expected to check on the activities conducted at the Federal Reserve Bank of Atlanta for the Reconstruction Finance Corporation. It was felt that it would be much better, Mr. Clayton said, if such a letter were addressed to the Federal Reserve Bank by the Board, and with Mr. Coy's concurrence Mr. Wooten called Mr. Bergholz and told him to confine the examiners' activities
in Atlanta to an examination of the field offices, it being understood
that if the Board agreed it would inform the Atlanta Bank of the presence
of the Budget examiners in Atlanta and the purpose of their visit at the
Bank. Mr. Clayton went on to say that it had been expected that the ex-
aminers would visit the Atlanta Bank on March 29, the Kansas City Bank
on April 4, the Omaha Branch on April 10, the St. Louis Bank on April 15,
and the Cincinnati Branch on April 22. He also said that Mr. Wooten had
agreed that the desired information with respect to Regulation V very
likely could be obtained from the Board's offices rather than from the
Federal Reserve Banks.

At the conclusion of a discussion, it
was understood that Mr. Clayton would pre-
pare a draft of reply to the letter from Mr.
Coy and that if it were felt necessary Mr.
Szymczak would suggest to Mr. Coy over the
telephone that after the examiners had fin-
ished at Atlanta they return to Washington.

At this point Chairman Eccles made substantially the following
statement:

Last week Mr. Purcell, Chairman of the Securities and
Exchange Commission, called me on the telephone and suggested
that he and I talk to Mr. Byrnes, Director of Economic Sta-
bilization, about the speculative activity in the securities
markets. I suggested that it would be better if, before call-
ing Mr. Byrnes, we discussed the matter with our respective
Boards with a view to determining what the problem was and
what, if any, action should be taken. Mr. Purcell called
again this morning and said he had discussed the matter with
his Board and that it did not feel it was prepared to make
any definite recommendations at this time, that the matter
should be watched very carefully, however, and that there was
no objection to a report being made to Mr. Byrnes as to what
the situation was.
After an informal discussion of the matter with the members of the Board on Thursday, March 25, I reviewed with Mr. Parry the question whether any action was called for by the Board in connection with margin requirements. It seems to me that the whole matter should be looked at from a broader viewpoint than the Board's authority to increase margin requirements. If trading in the markets were put entirely on a cash basis, the resulting reduction in outstanding credit would be very small and would only affect trading in listed securities. The market could still become uncontrollable on the basis of cash trading, and, if there should be a growth in the feeling on the part of the public that we were approaching an inflationary situation, the situation might develop to a point where there would be a widespread sale of Government securities for the purpose of purchasing listed and unlisted stocks. Furthermore, if the Board exhausted its power to eliminate the use of credit for the purpose of purchasing or carrying securities, it might result in a movement to discontinue the listing of many securities, which might give impetus to the movement to purchase stocks and real estate as a hedge against inflation. In these circumstances, an increase in margin requirements would not be an effective means of dealing with the problem, and it would be my suggestion that no action be taken until we have had an opportunity to look at the whole situation from the standpoint of what additional powers are necessary to meet the problem. I believe we should approach it from the standpoint of a progressive tax on profits from the sale of real estate and securities acquired after a certain date. This would have to be done by legislation and, in the absence of effective action in that direction, I do not believe that the Board's powers are adequate to meet the situation.

Mr. Ransom stated that if no action were taken until the necessary legislation could be enacted there would be considerable delay, and he inquired whether Chairman Eccles proposed that the Board take no action with respect to margin requirements. Chairman Eccles replied that that was not his intention and that, if the present market trend continued for two or three weeks, action would have to be taken by the Board as notice to the public that the trend was unhealthy and that the Board was utilizing such powers as it had to combat the movement.
At this point, Messrs. Thurston, Dreibelbis, and Wyatt 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 March 29, 1943, were approved unanimously.

Memorandum dated March 26, 1943, from Mr. Morrill, recommending, at the request of Mr. Draper, that Mrs. Margaret C. Pauszek be transferred from the Secretary's Office to the Board Members' Section as a stenographer, with no change in her present salary at the rate of $1,740 per annum, effective April 1, 1943.

Approved unanimously.

Memorandum of this date from Mr. Dreibelbis, General Attorney, recommending, for the reasons stated in the memorandum, that the Board extend the leave of absence with pay, on account of illness, previously granted to John H. Hunley, a messenger in the Legal Division, for the period beginning March 31 and extending through May 4, 1943, with the understanding that such leave will not be charged against any annual or sick leave which he may accumulate in the future.

Approved unanimously.

Memoranda dated March 25 and 27, 1943, from Mr. Goldenweiser, Director of the Division of Research and Statistics, submitting the resignations of Mrs. Regina M. Dearth and Miss Mary Elizabeth Forsling as clerks in that Division, to become effective as of the close of business on March 31 and April 6, 1943, respectively, and recommending that
the resignations be accepted as of those respective dates.

The resignations were accepted.

Letter to the board of directors of "The Farmers State Savings Bank", Delta, Ohio, stating that, subject to conditions of membership numbered 1 to 3 contained in the Board's Regulation H, 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 Farmers State Savings Bank', Delta, 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 accounts listed on page 16 of the report of examination for membership."

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

"Our letter of March 26, 1943 concerning the question on Regulation W raised by the Blackstone Valley Gas and Electric Company, Pawtucket, Rhode Island, crossed your letter of March 25, 1943 on the same subject.

"We do not believe that it would be possible, as suggested in the utility company's letter of March 22 of which you enclosed a copy, for the fuel business and the appliance business to be handled separately."
The only course that seems possible at the present

time is for you to write to the utility company suggesting
the approach mentioned in the third paragraph of our letter
of March 26. The utility company evidences a fine spirit
toward the regulation which we appreciate very much and we
believe you will be able to show it that there is little
likelihood of its being seriously embarrassed."

Approved unanimously.

Memorandum dated March 18, 1943, from Mr. Goldenweiser, Direc-
tor of the Division of Research and Statistics, submitting the budgets
for the statistical and analytical function, including library services,
at all of the Federal Reserve Banks for the year 1943, and recommending
that the Board approve the proposed budgets in the following amounts:

<table>
<thead>
<tr>
<th>Federal Reserve Bank</th>
<th>Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boston</td>
<td>$44,920</td>
</tr>
<tr>
<td>New York</td>
<td>233,568</td>
</tr>
<tr>
<td>Philadelphia</td>
<td>79,518</td>
</tr>
<tr>
<td>Cleveland</td>
<td>58,490</td>
</tr>
<tr>
<td>Richmond</td>
<td>37,769</td>
</tr>
<tr>
<td>Atlanta</td>
<td>38,070</td>
</tr>
<tr>
<td>Chicago</td>
<td>119,576</td>
</tr>
<tr>
<td>St. Louis</td>
<td>50,666</td>
</tr>
<tr>
<td>Minneapolis</td>
<td>50,196</td>
</tr>
<tr>
<td>Kansas City</td>
<td>35,543</td>
</tr>
<tr>
<td>Dallas</td>
<td>57,237</td>
</tr>
<tr>
<td>San Francisco</td>
<td>77,318</td>
</tr>
</tbody>
</table>

The memorandum also recommended that the Presidents of the Federal Reserve
Banks of Boston and Richmond be informed that every effort should be made
to build up their research departments to a point where they could meet
the demands that would be made on them, particularly those in connection
with the regional research program.

Approved unanimously.
Thereupon the meeting adjourned.

Approved:

Chairman.

Chester Norrie
Secretary.