

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, April 9, 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. 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 April 8, 1943, were approved unanimously.

Telegrams to Mr. Treiber, Secretary of the Federal Reserve Bank of New York, Mr. Laning, Cashier of the Federal Reserve Bank of Cleveland, Mr. Leach, President of the Federal Reserve Bank of Richmond, Messrs. Dillard, Powell, and Woolley, Secretaries of the Federal Reserve Banks of Chicago, Minneapolis, and Kansas City, respectively, Mr. Gilbert, President of the Federal Reserve Bank of Dallas, and Mr. Hale, Secretary of the Federal Reserve Bank of San Francisco, stating that the Board approves the establishment without change by the Federal Reserve Bank of San Francisco on April 6, by the Federal Reserve Banks of New York, Cleveland, Richmond, Chicago, Minneapolis, and Dallas on April 8, 1943, and by the Federal Reserve Bank of Kansas City today, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

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Memorandum dated April 1, 1943, from Mr. Parry, Chief of the Division of Security Loans, recommending that Theodore H. Smith be appointed as a Special Assistant in that Division, with basic salary at the rate of \$4,800 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.

Memorandum dated April 6, 1943, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that Miss Mary Hedda Bohlin, a clerk in that Division, be granted leave of absence without pay beginning April 9, 1943, so that she might enter active duty with the United States Marine Corps, Women's Reserve, and that she be granted the benefits provided in the policy adopted by the Board on November 14, 1940, and amended August 20, 1941, for all employees entering military service.

Approved unanimously, with the understanding that the payment of one months' unearned salary will be at the rate of basic salary plus overtime.

Letter prepared for the signature of Mr. Leonard, as Chairman of the Agency Committee on Deferment of Government Employees, to Mr. R. M. Barnett, Chairman of the Review Committee, War Manpower Commission, reading as follows:

"In the light of the discussions when I met with your Committee March 27, our Agency Committee has decided not to submit a list of key positions but to submit any request for deferment under the provisions of Section IV, 1-b, of Executive Order 9309.

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"We are taking this position at this time with the understanding that it does not preclude the establishment of a list of key positions at a later date should that appear desirable, and that it does not prejudice in any way the general position of the Board or its employees."

Approved unanimously.

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

"This is to advise you that the Board of Governors notes without objection the salaries paid to employees of your Bank as of January 1, 1943, as shown in the statement accompanying Mr. Rice's letter of February 23, 1943, with the exception of Albert L. Koesters, listed on Page 46 of the salary list as an employee of the Credit Department with no job title.

"It is understood that Mr. Koesters' employment and salary were approved by the War Department; that his salary is reimbursable, and he is not considered to be an employee of the Reserve Bank. Accordingly, approval of his salary by the Board of Governors is not required."

Approved unanimously.

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

"In accordance with your request the Board of Governors approves the changes in the personnel classification plan of the Federal Reserve Bank of New York as submitted with your letter of March 15, 1943, and revised by the schedules submitted with Mr. Douglas' letter of April 2, 1943."

Approved unanimously, together with the following letter to the Joint Committee on Salaries and Wages:

"Under the procedure established by General Order No. 19, of the War Labor Board and the authority granted by the Commissioner of Internal Revenue, transmitted herewith are the original and four copies of two certificates of the Federal Reserve Bank of New York, with respect to increases in the maximum annual salaries, under the personnel classification plan, for certain positions at the Head Office and the Buffalo Branch.

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"These increases have been approved by the Board of Governors of the Federal Reserve System.

"In transmitting these certificates, attention is called to the fact, which has been discussed with representatives of the War Labor Board and of the Commissioner of Internal Revenue, that the maximum annual salaries approved under the personnel classification plan are not, in general, established rates paid for all employees coming within the respective groups. They represent instead maximums within which adjustments, including increases due to individual merit and earned through long service, may be made by the Reserve Bank without further reference to the Board of Governors."

Letter to the board of directors of "The Lorain County Savings & Trust Company", Elyria, Ohio, stating that, subject to conditions of membership numbered 1 to 6 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 Lorain County Savings & Trust Company', Elyria, 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 has been noted that of the losses estimated in the report of examination as of January 25, 1943, all but approximately \$70 were eliminated during or at the close of the examination. Therefore, the usual condition of membership regarding the elimination of losses has not been prescribed.

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"While there has been no change in the official personnel, it is noted that President Taylor has been forced by failing health to delegate some of the duties formerly assumed by him to other officers of the bank and that the directors have assumed more active participation in management. It is understood that the directors now meet weekly to give consideration to all loans and every detail of the bank's operations. It is true, as you say, that Vice President Plocher has had limited opportunity to demonstrate his ability but it appears that you share the doubts of the other supervisory authorities with respect to his executive capacity and also with respect to the ability of the majority of the other officers of the bank. Therefore, in view of President Taylor's growing incapacity, it would seem that some definite action looking toward strengthening the official personnel is essential. The Board is approving the application for membership with the understanding that you expect to follow the situation closely and lend every assistance in the matter of strengthening the operating management.

"Since it is understood that in the State of Ohio trust funds deposited in the banking department of a bank are preferred claims in event of liquidation of the bank, you are authorized, in accordance with the general authorization previously granted by the Board, to waive compliance with condition of membership numbered 6 until further notice.

"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 as of January 25, 1943.

"Enclosed is a letter approving the retention and operation of a branch at Amherst, Ohio, which you are requested to forward to the board of directors of the applicant bank. Enclosed also is a copy of the letter for your files."

The following letter to the board of directors of "The Lorain County Savings & Trust Company", referred to in the last paragraph of the above letter, was also approved unanimously:

"In connection with the application for membership in the Federal Reserve System, the Board of Governors of the Federal Reserve System approves the retention and operation by 'The Lorain County Savings & Trust Company', Elyria, Ohio,

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"after admission to membership, of the branch at Amherst, Ohio, the establishment of which was approved on September 18, 1931, by the Superintendent of Banks of the State of Ohio."

Letter to the board of directors of "The Farmers State Bank Company", Fayette, 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 Bank Company', Fayette, 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 listed on page 16 of the report of examination for membership and the bank's practices with respect to renewal of time certificates of deposit."

Letter to the board of directors of "The Farmers State Bank of McClure, Ohio", McClure, 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

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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 Bank of McClure, Ohio', McClure, 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 noted that, with respect to notice in connection with savings deposit withdrawals, the examiner states that the bank may require '90 days in case of emergency' whereas Regulation Q provides that in order for a deposit to qualify as a savings deposit, the bank must reserve the right to require the depositor 'at any time' to give notice of an intended withdrawal. Therefore, it is suggested that this matter be brought to the bank's attention with a request that at such time as the bank's passbooks are reprinted, this provision be modified to conform to the requirements of the Board's Regulation. 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 the board of directors of "The Peoples State Bank", Wauseon, 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:

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"The Board of Governors of the Federal Reserve System approves the application of 'The Peoples State Bank', Wauseon, 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 has been noted that your examiner expresses the belief that service by George C. Davies as a director of the bank and as a salesman for H. L. Emerson & Company, Inc. after the admission of the bank to membership would violate section 32 of the Banking Act of 1933. It is assumed that, unless you have already done so, you will satisfy yourself with respect to whether Mr. Davies' service in these capacities would be prohibited and that you will follow the matter of obtaining any necessary correction. Please advise the Board concerning the action taken.

"It is assumed also 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. Grady, Chairman of the Federal Reserve Bank of San Francisco, reading as follows:

"We regret that your recent illness prevented discussions with you regarding certain matters growing out of the last Chairmen's Conference and subsequent correspondence. Mr. Clerk attended the recent meeting of the Presidents in place of Mr. Day, who has also been ill, and these matters were discussed with him by Mr. Szymczak in accordance with the suggestion in the letter from your office of March 2, 1943. We should have written to you sooner but as you will readily appreciate there is a constant pressure of many matters requiring our attention and these have tended to delay preparation of this reply.

"The excellent statement showing the functions performed by your Bank and Branches, which was enclosed with your letter, has been studied with considerable interest and was discussed in detail with Mr. Clerk. This statement is helpful to us in our review of the activities of some of the other Branches. The Board is pleased that your Branches are now performing a number of operations that have been the



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"subject of previous correspondence and that consideration is being given to making a number of additional changes in Branch operations, including the following:

1. That when sufficient experience is gained, your Branches will handle the reissue of war savings bonds for correction of errors, change of beneficiaries, etc.
2. That your present practice of holding war savings bonds in safekeeping only at the Head Office will be changed if it should appear at any time that greater economy, efficiency, or public service would be accomplished by retaining bonds at the Branch at which originally lodged.
3. That if war loan deposit account collateral, other than United States securities, is turned over to the Branches in any volume, appraisals will be made at the Branches as was done during the last war.
4. That the changes suggested by the Foreign Funds Control Division of the Treasury in its operations at the Los Angeles Branch will be carried into effect.

Would you be good enough to ask Mr. Day to advise us when the Branches undertake any of the above-mentioned operations?

"It is quite evident that with respect to purely banking operations the Federal Reserve Bank of San Francisco has made considerable progress in decentralization and that the Branches now perform most of the operations performed at the Head Office. The fine spirit of cooperation shown by the Bank in this respect is greatly appreciated by the Board.

"Mr. Clerk indicated that he was in general agreement with the Board's position that an effort should be made to create and to retain the interest of the Branch directors. He mentioned that individual Branch directors had from time to time, upon specific request, rendered valuable assistance to the Federal Reserve Bank. The Board feels that the services rendered by the Branch directors should not be limited to that given by particular directors at intermittent intervals, as outlined by Mr. Clerk, but should be a regular and continuing matter. It is of the opinion that the recommendations and views of the Branch boards as such should be sought on some operating matter as well as on monetary and economic questions. The Branch directors might make recommendations to the Head Office with respect to the organization, salaries and working conditions of Branch personnel, for example.

"Regarding joint meetings of the Head Office and Branch boards of directors, the Board believes that the Branch directors should meet with the directors of the Federal Reserve Bank

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"at least once a year, either in the Head Office or Branch city. The Board also believes further consideration should be given to the suggestion that the Branch heads be eliminated from the Branch boards and that when the individuals performing the functions are of sufficiently high caliber to warrant the recognition their title be changed to vice president. As you know, vice presidents are to act as the Branch heads at Detroit, Cincinnati, and Pittsburgh, and the by-laws have been changed in each case so that they will not serve as members of the boards of directors. This is consistent with the fact that the President is not a member of the Head Office board of directors. It may be added that data in the Board's offices indicate that the heads of a number of the larger branches of commercial banks in your territory have the title of vice president.

"With the increasing stress that is being placed upon the research work at the Federal Reserve Banks and in view of the extensive discussion at the last Chairmen's Conference, which resulted in the unanimous adoption of a resolution approving the expansion and coordination of the research work, it seems to the Board that consideration should be given to the possible value of placing at the Los Angeles Branch, and perhaps some of the other Branches, a competent representative of the Bank's research department to assist in developing any projects that may be determined upon, to keep the Head Office constantly informed as to changing situations, to advise with the Branch officers, and to represent the research department at meetings of the Branch boards of directors.

"The System has an opportunity at this critical period to establish itself more firmly in the public mind as an organization thoroughly equipped through long experience and training, not merely at the twelve Federal Reserve Bank cities but at the twenty-four Branch cities as well, to render outstanding service, and the Board feels that local communities should be made aware of this. That other agencies of Government are conscious of the System's enviable position is indicated by the letter recently received from Director Byrnes of the Office of Economic Stabilization, a copy of which was forwarded to you, in which he states that the Federal Reserve System, as a public institution, is singularly well adapted by reason of its regional organization of Banks and Branches, and its freedom from special or partisan interests, to help his office in a vast educational task.

"The Board is aware of the fact that the officers of the Bank have been governed in the management of its operations by the most commendable motives of efficiency and

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"that they are entitled to recognition for their success in this field. The Board is not unmindful of what have been called the practical aspects of these matters, but it is not convinced that the Bank has fully appreciated the growing importance of public service as distinguished from the purely banking problems of the Federal Reserve System, in the light of the rapid changes in the economy that have taken place in the last few years. These changes, it seems to the Board, make it necessary to give more consideration to external relations than would be necessary if only the greatest possible systematism or economy of effort were involved.

"The Board understands that the subject of developing the powers, functions, and prestige of your Branches will receive the continuing consideration of the directors and officers of your Bank, and it will look forward to being advised from time to time as to the progress being made."

Approved unanimously.

Thereupon the meeting adjourned.

Chisler Moriel  
Secretary.

Approved:

W. S. Coates  
Chairman.