

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, April 29, 1943, at 3:45 p.m.

PRESENT: Mr. Eccles, Chairman
Mr. Szymczak
Mr. McKee
Mr. Draper
Mr. Evans

Mr. Morrill, Secretary
Mr. Carpenter, Assistant Secretary
Mr. Clayton, Assistant to the Chairman
Mr. Dreibelbis, General Attorney

Before this meeting Mr. Byrnes, Director of Economic Stabilization, had conferred with Chairman Eccles and had suggested the desirability of vesting in the Board the authority to regulate the use of credit for purchasing, carrying, or trading in commodities, real estate, or securities and that an executive order conferring such powers on the Board be prepared for consideration. In accordance with this suggestion, Mr. Dreibelbis, in consultation with Mr. Cohen, Counsel for the Office of Economic Stabilization, had prepared a draft of order in the following form, copies of which had been sent to the Board of Governors for study prior to consideration at this meeting:

"WHEREAS the effective conduct of the present war and the maintenance of the national stabilization program authorized and directed by the Congress in the Act of October 2, 1942, require that means be available readily to control the extension or use of credit for or incidental to buying or otherwise acquiring control of, carrying, holding, or trading in commodities, real estate, or securities in order to assist (a) in preventing hoarding and harmful speculation, (b) in curbing profiteering and unwarranted, speculative, and abnormal price advances, (c) in protecting and promoting the sound and constructive interests of commerce, agriculture, and industry,

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"and of consumers, home owners, and investors, and (d) in supplementing and supporting other governmental measures to restrain inflationary tendencies:

"NOW, THEREFORE, by virtue of the authority vested in me by section 5(b) of the Act of October 6, 1917, as amended from time to time including the amendment made in the 'First War Powers Act, 1941', and by virtue of all other authority vested in me, and in order, during the time of the war and the period of the national emergency declared by me on May 27, 1941, to promote the effective conduct of the war and protect the national economy, it is hereby ordered as follows:

"Section 1. To carry out the purposes of this order the Board of Governors of the Federal Reserve System (hereinafter called the Board) is hereby designated as the agency through which there shall be investigated, regulated, or prohibited transfers of credit or payments between, by, through, or to any banking institution, which constitute or arise directly or indirectly out of any extension or use of credit for or incidental to buying or otherwise acquiring control of, carrying, holding, or trading in commodities, real estate, or securities for immediate or future delivery. For such purposes the Board shall have the powers set forth in paragraph (1) of subdivision (b) of section 5 of the aforesaid Act of October 6, 1917, and it may take any lawful steps within its powers to carry out such purposes, including any other and further measures not inconsistent with this order or with the aforesaid Act of October 6, 1917. The Board is authorized to prescribe definitions not inconsistent with the purposes of this order for any and all terms used in this order or in any directives, orders, or regulations which may be issued by it: PROVIDED, That, unless the Board gives more restricted meanings; (1) 'extension or use of credit' includes but is not limited to loans or discount transactions and agreements, contracts, options, demands, liens, and similar claims against, or for the immediate or future delivery of, money or property; (2) 'banking institution' means any bank or trust company or other person, whether incorporated or not, engaged in receiving, holding, or making payments of deposits, and any person or agency of the Government engaged, either primarily or incidentally, as principal, agent, broker, or otherwise in making or holding extensions of credit or making, holding, or clearing payments for or incidental to buying or otherwise acquiring control of, carrying, holding, or trading in commodities, real estate, or securities, for immediate or future delivery, with respect to which the Board shall have issued directives, orders, or regulations.

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"Section 2. In effectuating the purposes of this order the Board shall consider and make due provision for the legitimate and bona fide credit needs of commerce, agriculture, and industry and of consumers, home owners, and investors to the extent that the extension or use of such credit is consistent with the national stabilization program; and any action of the Board shall not affect credit outstanding on the effective dates of its directives, orders, or regulations except to the extent that the Board may deem it necessary to do so in effectuating the purposes of this order.

"Section 3. In administering this order, the Board may utilize the services of the Federal Reserve Banks and any other agencies, Federal or State, which are available and appropriate. It may, in its discretion, delegate to such banks or agencies all or such part of the administration of its directives, orders, or regulations as it determines will promote simple or effective administration; and any such bank or agency, to which such administration has been delegated, may utilize all other powers vested in it not inconsistent with the aforesaid Act of October 6, 1917, to carry out any functions so delegated. The Board shall, so far as practicable, utilize the information of and consult with other Federal departments and agencies which have activities or functions related to the national stabilization program and, in discharging its responsibilities, shall take into account any recommendation which any such department or agency may make on matters of general policy. In exercising the powers conferred by this order, the Board shall be governed by the general policy directives of the Economic Stabilization Director."

Chairman Eccles stated that in the discussions of the matter Mr. Byrnes had said that if the Board were willing to assume the responsibility contemplated by the order he would undertake to clear the order with other interested agencies of Government. In connection with the last sentence of the order, Mr. Dreibelbis said that it had been added at the suggestion of Mr. Cohen in order to facilitate such clearance. Chairman Eccles expressed the opinion that it merely expressed a condition that already existed under the authority originally conferred upon the Director of Economic Stabilization by the President.

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In the discussion of the order, Mr. McKee inquired whether the timing of any action taken by the Board under the authority granted by the order would be a matter for decision by the Board. This point was discussed, and Chairman Eccles said that a statement for the press would have to be prepared for release at the White House at the time of the signing of the order giving the reasons for the order and making it clear that the powers were being given to the Board of Governors to be exercised only when necessary to meet specific situations and that the Board would be expected to watch the whole field of credit and take action whenever called for. This would make it clear, Chairman Eccles said, that it was not anticipated that the Board necessarily would take immediate action under the order, as it was not the intention of Mr. Byrnes in suggesting that the Board be given the authority that it should take immediate action thereunder. Chairman Eccles explained that in his conversations with Mr. Byrnes it was made clear that the Board was not seeking the powers to be granted by the order and that Mr. Byrnes was taking the responsibility for the initiative in the matter.

There was also a discussion of the extent of the powers that would be granted by the order and the relation of these powers to the powers of the Treasury in the field of foreign funds control and the powers of the Alien Property Custodian in the field of control of alien properties, and of the additions to the Board's staff that might be necessary in exercising the new powers. Mr. McKee referred again to the question of the timing of any action that the Board might take and suggested that there should be a clear understanding with Mr. Byrnes that

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the Board's decision as to timing would not be interfered with except after careful consideration. The other members of the Board concurred in this suggestion, and Chairman Eccles said that the problem of timing of action would have to be determined in conference with Mr. Byrnes and other agencies of Government that might be affected by any contemplated action.

At the conclusion of the discussion, Chairman Eccles said that if agreeable to the other members of the Board he would like to tell Mr. Byrnes that the Board was willing to accept the responsibility that would be conferred by the order in substantially the form set forth above, but that if any substantial changes were to be made in the order before it was signed the Board would want to consider the matter again.

Upon motion by Mr. Evans, there was unanimous agreement with Chairman Eccles' proposal and it was understood that he would advise Mr. Byrnes accordingly.

Following the meeting on April 6, 1943, Mr. Szymczak's memorandum of April 5, 1943, relating to three questions which had arisen in connection with the revision of the statement of procedure with respect to foreign relationships with Federal Reserve Banks (X-9774) was circulated among the members of the Board, and at this meeting unanimous approval was given to the submission of the first two questions to the Presidents' Conference for consideration and discussion with the Board, with the understanding that in the event objections concerning the changes proposed by the questions were raised during such discussion the matter would be presented to the Board of Governors again for final decision.

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At this point, Mr. Dreibelbis 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 April 28, 1943, were approved unanimously.

Memorandum dated April 24, 1943, from Mr. Morrill, recommending that the following increases in salaries of employees in the Secretary's Office be approved, effective May 1, 1943:

<u>Name</u>	<u>Designation</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
<u>Secretarial and Administrative</u>			
Mitchell, Charlotte N.	Secretary to Mr. Bethea	\$2,000	\$2,200
Wolcott, Helen B.	Clerk-stenographer	1,860	1,980
Kern, Harry E.	Clerk	1,740	1,860
Oddsson, Mary Louise	Stenographer	1,560	1,680
Sherrill, Vera M.	Page	1,260	1,380
<u>Service Functions</u>			
Fletcher, Wilson T.	Operator (Duplicating Devices)	1,660	1,740

Approved unanimously.

Memorandum of this date from Mr. Morrill, submitting the resignation of Daniel Derrick as a guard in the Secretary's Office, to become effective as of the close of business on April 27, 1943, and recommending that the resignation be accepted as of that date with appropriate deduction made from his salary for five days and 48 minutes of unearned annual leave.

Approved unanimously.

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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 April 22, 1943, transmitting copies of bills submitted by Squire, Sanders & Dempsey covering legal services in connection with Regulation V loans, January-March 1943.

"It is noted that payment of these bills has been approved by the Executive Committee of the Directors of your Bank and that the amounts will be included in claims for reimbursement to the War and Navy Departments.

"The Board of Governors approves the payment of \$4,500 to Squire, Sanders & Dempsey for their services as specified in your letter."

Approved unanimously.

Letter to Mr. Meyer, Assistant Cashier of the Federal Reserve Bank of Chicago, reading as follows:

"The Board of Governors approves the changes in the personnel classification plan covering the establishment of new positions and the discontinuance of others as listed in the attached sheets. These changes are made in accordance with the requests contained in your letters of January 29, February 17 (as modified by your letter of April 22) and March 5.

"In accordance with the request contained in your letter of March 20, page 86 of the personnel classification plan has been canceled in view of the discontinuance of the position of Draft Payer in the Bookkeeping and Federal Reserve Books Department.

"Because of the Executive Order of April 8, 1943, no approval to increases in maximum annual salaries can be given. Accordingly, no action can be taken with respect to the proposed increases in maximum annual salaries submitted with your letters of March 20, March 27 and March 30.

"The establishment of the proposed new position of secretary to the President with maximum annual salary of \$3,000 as submitted with your letter of March 20, would have required certification to the Joint Committee, inasmuch as it would in effect represent an increase in salary for the individual who had been acting as Mr. Young's secretary ever since he became President. This matter was discussed informally with Mr. Young."

Approved unanimously.

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Letter to the board of directors of "The Farmers State Bank of Stryker", Stryker, 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 of Stryker', Stryker, 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 shown on page 16 of the report of examination for membership."

Memoranda dated April 27, 1943, from Mr. Smead, Chief of the Division of Bank Operations, recommending that the Board approve drafts attached to the memoranda of (1) Form F.R. 105 for use in obtaining reports of condition of State member banks on the forthcoming midyear call and (2) Form F.R. 107b for use in obtaining semiannual earnings and dividends reports of State member banks for the first six months of each year. The memorandum relating to Form F.R. 105 stated that since Mr. Smead's memorandum of November 12, 1942, in which it was stated that the information in the schedules eliminated from the end-of-year

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call report would be called for only on the June call, it had been informally agreed with representatives of the Comptroller's Office and the Federal Deposit Insurance Corporation, subject to the Board's approval, that the information available in the abbreviated form would be considered as sufficient for the next call, and that the proposed form would be the same as that used on December 31, 1942, with the following exceptions:

1. Item 2 of Schedule E, which heretofore had been "Deposits of United States Government", would appear as "Deposits of United States Government (including \$ _____ war loan account)".
2. Additional columns would be inserted in Schedule B in order to show the aggregate par values of each class of United States Government obligations, direct and guaranteed, held by the reporting bank.

The memorandum relating to Form F.R. 107b referred to the question considered at the meeting of the Board on October 23, 1942, as to whether this report should be placed on a calendar-year basis and stated that, inasmuch as the Comptroller of the Currency had decided to continue to require an earnings and dividends report from the more than 5,000 national banks, it seemed desirable to continue to require the report from the 1,600 State member banks in order that the data for all member banks, which had been available on a semiannual basis for a number of years, might continue to be available, and that the proposed report form was the same as that approved for use for the calendar year 1942 except for the changes necessary to make it cover only the first half of the year.

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Approved unanimously, Mr. McKee indicating that he approved the revised State member bank call report with reluctance inasmuch as he had hoped that it would be possible to rearrange both the assets and the liabilities on the form, and that, since several attempts to work out an agreement for such changes with other Federal agencies had failed, there was nothing for the Board to do but to go along with the limited changes as now recommended in order to be prepared for the next call date.

Thereupon the meeting adjourned.

Chester Brown
Secretary.

Approved:

W. S. Coates
Chairman.