

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, June 1, 1943, at 10:30 a.m.

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

Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary
Mr. Clayton, Assistant to the Chairman
Mr. Thurston, Special Assistant to the
Chairman
Mr. Dreibelbis, General Attorney
Mr. Wyatt, General Counsel

Before this meeting there had been circulated among the members of the Board a draft of statement, which had been prepared in response to an informal request of the Board, with respect to the duties of directors of Federal Reserve Banks and their relation to the Board of Governors. The statement was discussed but no action was taken.

At this point Mr. Hansen, Special Economic Adviser, Mr. Gardner, Senior Economist, and Mr. Knapp and Miss Bourneuf, Associate Economists, of the Division of Research and Statistics, joined the meeting.

The discussion which was begun at the meeting of the Board on May 29, 1943, of the Keynes and White international stabilization plans was continued, and consideration was given particularly to the question whether, and at what point, there should be a limitation on the amount of dollars that the United States might be required to supply as a result of the operation of the plan finally adopted. Consideration was

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also given to suggestions made by Mr. Gardner (1) that in order to reduce the amount of additional bank reserves that might be created under the plan the countries which had gold be required to make their contribution to the fund in the form of gold rather than currency or securities, and (2) that all countries that were members of the plan be required to buy and sell gold only through the fund.

During the discussion Chairman Eccles read from a memorandum received by him under date of May 26, 1943, from Mr. J. H. Riddle, Economic Adviser to the Bankers Trust Company, New York, New York, containing an analysis of the Keynes and White plans and making certain alternative suggestions with respect to the plans. Copies were distributed of a memorandum prepared in the Division of Research and Statistics of essential points in a compromise stabilization plan, and a copy of the memorandum has been placed in the Board's files.

The meeting recessed for luncheon and reconvened at 2:15 p.m. with the same attendance as at the close of the morning session.

Mr. Hansen made a statement as to the possibility of inflation resulting from large holdings of currency and deposits in the United States as compared with national income and why, in his opinion, with low long-term interest rates it was to be expected that the level of cash holdings would be larger in comparison to national income than was the case in the 1920's. He also discussed the possibilities of inflation during the conversion and the longer-term post-war period and expressed the opinion that there need not be rigorous limitations on the amount of

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dollars that the United States would be obligated to supply under the stabilization plan as finally adopted for the reason that it was hoped that the plan would operate to establish a degree of equilibrium in the exchange markets which would make limitations unnecessary.

Mr. Gardner made his position clear that he was not suggesting that a limitation be fixed beyond which the United States would not furnish additional dollars under the plan but rather that provision should be made that after the amount of exchange that had been supplied by the United States had reached a stated figure the United States would be given increased controls to correct the situation as the amount of dollar exchange supplied by it increased.

The memorandum of essential points in a compromise stabilization plan, copies of which were distributed at the morning session, was then read and discussed, and Mr. Hansen suggested that it be discussed with Mr. Berle, Assistant Secretary of State, and Mr. White, Director of Monetary Research of the Treasury Department. There was agreement on the part of the members of the Board present that the substance of the memorandum should be discussed by the appropriate members of the staff of the Division of Research and Statistics with Mr. White with the statement that the members of the Board had reviewed the Keynes and White plans and that, subject to further discussion, the points covered by the memorandum represented the present tentative suggestions of the members of the Board, with the understanding that whatever plan was adopted it was the position of the Board that (1) it should be given power by Congress

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to offset the effects of the operations of the plan on the domestic credit situation and (2) provision should be made in the plan, as suggested by Canadian representatives, that, as the amount of exchange furnished by a member of the plan increased beyond a certain point, the member would have increased voting power in the control of the operations of the plan. There was also agreement that after the contents of the memorandum had been discussed with Mr. White they should be presented to Mr. Berle, and that, if during Chairman Eccles' contemplated absence for the next two weeks any meetings were called in connection with the plan at which members of the Board should be present, Messrs. Ransom and Szymczak would represent the Board.

Thereupon Messrs. Clayton, Thurston, Hansen, Gardner, and Knapp and Miss Bourneuf withdrew from the meeting.

Mr. McKee referred to the consensus of the members of the Board that the telegram to Transamerica Corporation, which was approved at the meeting of the Board on May 28, 1943, likely was the beginning of a course of action which would result in a hearing as provided by law at which Transamerica Corporation would be afforded an opportunity to be heard and to show cause why the permit issued by the Board to the Corporation authorizing it to vote the stock which it owned and controlled in certain banks should not be revoked, and he stated that he had discussed with Mr. Dreibelbis the steps that should be taken by the Board in preparation for that eventuality and that he would like Mr. Dreibelbis to outline his views on the manner in which the matter should be handled.

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Mr. Dreibelbis said that it would be necessary to set out in any notice of hearing to the Corporation the issues which would be involved in the hearing and upon which the Board would act in the light of the evidence offered at the hearing, and that, therefore, the preparation of the notice of the hearing would require the organization and preparation of all the necessary material as fully and as completely as for the hearing. It was his suggestion that the hearing be held before a trial examiner, to be selected later, rather than before the full Board. It was also his suggestion that in preparing and offering evidence it would be desirable to associate a lawyer who was thoroughly familiar with court practice and the essentials of a proper record in such proceeding and who could devote his full attention to the particular matter so that the results of the hearing could be properly presented to the Board for a decision. In these circumstances, it was his feeling that the Board should employ promptly a well-qualified practicing lawyer who was thoroughly familiar with the essentials of an adequate record who, working with Mr. Dreibelbis, would immediately begin to organize and prepare the necessary data and material which would be involved if notice should be given to Transamerica Corporation, and that it should be understood that whoever was employed would have to have adequate assistance from the Division of Examinations and the Board's clerical staff.

There was a discussion of the men who might be considered by the Board for employment for the purpose outlined by Mr. Dreibelbis, and he was authorized to invite Mr. Neth Leachman of Dallas, Texas, to come to Washington

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to discuss the matter, with the understanding that the Board would reimburse him for the necessary actual traveling expenses incurred by him on the trip.

At this point Messrs. 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 May 31, 1943, were approved unanimously.

Memoranda from Mr. Goldenweiser, director of the Division of Research and Statistics, recommending approval of the following increases in basic salaries of employees in that Division:

<u>Date of Memorandum</u>	<u>Name</u>	<u>Designation</u>	<u>Salary Increase</u>	
			<u>From</u>	<u>To</u>
May 24, 1943	Susan Burr Litchfield	Senior Economist	\$5,600	\$6,200
May 26, 1943	Wendell E. Thorne	Associate Economist	4,000	4,600
May 27, 1943	Frank R. Garfield	Senior Economist	6,400	7,000
May 27, 1943	Leroy M. Piser	Chief, Government Securities Section	6,400	7,000
May 29, 1943	Roland I. Robinson	Senior Economist	6,000	6,500
May 29, 1943	David M. Kennedy	Assistant Chief, Government Securities Section	5,000	5,600

Approved unanimously, effective June 1, 1943.

Memorandum dated May 28, 1943, from Mr. Morrill, recommending that Miss Gweneth Crawford be transferred from the position of elevator operator to that of telephone operator in the Secretary's Office on a permanent basis, and that her basic salary be increased from \$1,200 to \$1,440 per annum, effective June 1, 1943.

Approved unanimously.

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Telegram to Mr. Lassiter, Chairman of the Federal Reserve Bank of Richmond, reading as follows:

"Walden's letter May 24. Board approves appointment Adolph C. Wienert as Federal Reserve Agent's Representative at Baltimore Branch with salary at the rate of \$3,420 per annum in the event it becomes necessary to replace Mr. Zirckel. This approval is given with understanding that Mr. Wienert will be placed upon Agent's pay roll and be solely responsible to him or during vacancy in office of Agent to Assistant Federal Reserve Agent, and to Board of Governors for proper performance of duties. When not engaged in performance of his duties as Federal Reserve Agent's Representative he may, with approval of Federal Reserve Agent (or, in his absence, of Assistant Federal Reserve Agent) and Branch Managing Director, perform such work for Branch as will not be inconsistent with his duties as Federal Reserve Agent's Representative. Wienert should execute usual oath of office and surety bond in amount of \$10,000 and he should not enter upon performance of duties as representative until bond has been examined by your Counsel to determine whether its execution complies fully with the rules printed on reverse side of form of bond following which bond should be forwarded to Board promptly for approval. Please advise effective date of Wienert's appointment and Zirckel's resignation, and as to action, if any, we should take with respect to releasing bonding company from liability under Zirckel's bond as Federal Reserve Agent's Representative."

Approved unanimously.

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

"Thank you for your letter of May 26 and enclosures relating to the settlement of the case of Hager Music House, Grand Rapids, Michigan, under Regulation W. The enclosures are being read with interest, and you are to be complimented on the successful handling of a very troublesome case."

Approved unaimously.

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Thereupon the meeting adjourned.



Assistant Secretary.

Approved:



Chairman.