

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, June 24, 1943, at 10:30 a.m.

PRESENT: Mr. Ransom, Vice Chairman
Mr. McKee
Mr. Draper
Mr. Evans

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

There was a further discussion of matters which might come up for discussion with the Presidents of the Federal Reserve Banks while they are in Washington next week.

Chairman Eccles joined the meeting at 12:45 p.m., and at 1:15 p.m. the meeting recessed and reconvened at 3:30 p.m. with the same attendance as at the close of the morning session except that Messrs. Thomas and Wyatt were not present.

At the conclusion of the discussion of matters to be considered with the Presidents, it was understood that a memorandum of the informal conclusions reached would be prepared for the use of the members of the Board during the meeting with the Presidents.

In connection with the consideration of the extension of the existing self-insurance agreement of the Federal Reserve Banks, it was

-2-

6/24/43

understood that Mr. Smead would make available to the Presidents' Conference Committee on Insurance at its meeting in Chicago this week a copy of Mr. Dreibelbis' memorandum of June 16, 1943, relating to the authority of the Federal Reserve Banks to extend the existing agreement.

At this point Messrs. McKee and Smead left the meeting to catch a train for Chicago.

Mr. Draper called attention to bill H.R. 3022 which was introduced in the House of Representatives on June 22, 1943, by Representative May and referred to the Committee on Military Affairs, and which was designed to authorize the Secretary of War to use funds made available to the War Department in connection with the termination of War Department contracts under such regulations as the Secretary might prescribe and without regard to any provision of law relating to the making, performance, amendment, or modification of contracts, for advance or partial payments to contractors with the War Department, or to subcontractors or suppliers directly or indirectly under such War Department contracts, or for loans or guaranties of loans to such contractors, subcontractors, or suppliers, or for the purchase of the rights of such contractors, subcontractors, or suppliers to such amounts certified by them to be due in connection with any such termination and upon such terms as the Secretary might permit by such regulations. Mr. Draper raised for discussion the question whether any action was called for by the Board in connection with the bill, and there was agreement on the part of the members present that inasmuch as the Board had not been

6/24/43

asked for a report on the bill no action was called for at this time. Mr. Draper felt that if the Board were called upon to express an opinion it might take the position that it would have no objection to the granting of the authority provided it was made clear that it was limited to the settlement of war contracts and not for the purpose of providing funds for conversion of production facilities from war- to peacetime operation.

At this point Messrs. Thurston, Dreibelbis, and Vest 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 June 23, 1943, were approved unanimously.

Memorandum dated June 19, 1943, from Mr. Morrill, reading as follows:

"The tax withholding under the Current Tax Payment Act of 1943 becomes effective July 1, 1943, and the Board, as an employer, is required to withhold a certain proportion of the salaries of its employees and to pay once a month such withholdings to an authorized depository and financial agent of the United States Treasury.

"Under the provisions of the Act the employer is given the option, in lieu of making an exact computation, of making deductions in accordance with Wage Bracket Withholding Tables. The Act also provides that the employee must furnish the employer with a Withholding Exemption Certificate giving his marital and dependency status, and, upon a change in such status, the employee must furnish the employer within a specified period a new certificate. The Act gives the employer the option of selecting (with certain limits) the wage payment with respect to which the new certificate shall take effect.

"It is recommended that the Board adopt the optional Wage Bracket Withholding according to the applicable table contained in the Act, and that any new Withholding Exemption Certificate relating to a change in marital or dependency status of an employee be made effective with respect to wages

-4-

6/24/43

"paid for the first pay roll period commencing after the receipt of the new certificate.

"It is also recommended that the Board approve the attached memorandum to employees respecting the tax withholding."

Approved unanimously. The memorandum to the employees was in the following form:

"Beginning with the pay roll period July 1 to 15, 1943, pursuant to the provisions of the new 'Pay-As-You-Go' income tax law, the Board is required to withhold a certain proportion of each employee's salary to be turned over to the United States Treasury. The withholding is not a new tax but is to be applied to the payment of your regular Federal Income and Victory tax.

"Under the Act the employer is given the option, in lieu of making an exact computation, of making deductions in accordance with Wage Bracket Withholding Tables as set forth in the Act. The Board will, therefore, withhold the tax in accordance with the attached table.

"The law requires each employee to furnish his or her employer a signed Withholding Exemption Certificate relating to the employee's marital and dependency status for the purpose of determining the amount of tax to be withheld. You should, therefore, complete the attached Withholding Exemption Certificate--Form W-4, and return it promptly to the Accounting Section of the Secretary's Office, Room 1021.

"Particular attention is called to the part of the instructions accompanying the Employee's Withholding Exemption Certificate relating to a change in marital or dependency status. Within 10 days following such change in status a new certificate should be completed and sent to the Accounting Section. The new certificate will take effect beginning with the first pay roll period commencing after the receipt thereof. A copy of the form may be obtained upon request to the Accounting Section.

"For your information, there is reproduced on the reverse side of the table referred to above a 'Notice to Employees' from the Commissioner of Internal Revenue."

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

"In accordance with the request contained in your letter of June 17, 1943, the Board approves the appointments of

6/24/43

-5-

"Arthur W. Mitchell
William H. Spangler

as examiners for the Federal Reserve Bank of New York, the appointments of

Roland O. Binet
Rudolph A. Huebner
William E. Shackleton

as assistant examiners, and the designation of
Merrill R. Tarnstrom

as a special assistant examiner. Please advise us of the dates upon which the appointments of the examiners and assistant examiners become effective.

"With reference to the indebtedness of Mr. Spangler to two nonmember banks in Pennsylvania, it is assumed that these obligations will be placed on a regular reduction basis, if such is not already the case."

Approved unanimously.

Telegram to Mr. Gilbert, President of the Federal Reserve Bank of Dallas, reading as follows:

"Board approves payment of compensation and expenses to James C. Dolley, as Economic Adviser of the Federal Reserve Bank of Dallas in accordance with the arrangement outlined in your telegram June 21."

Approved unanimously.

Letter prepared for the signature of Chairman Eccles to Honorable Paul V. McNutt, Chairman of the War Manpower Commission, reading as follows:

"Upon my return to Washington, I find your letter of June 18 advising us that the War Manpower Commission has designated the operations of the Federal Reserve Banks and Branches an essential activity.

"This will be of great help to the Federal Reserve Banks in the discharge of their responsibilities and I can assure you that the action of your Commission is appreciated by the Federal Reserve Banks as well as by the Board of Governors."

Approved unanimously.

6/24/43

-6-

Letter to Mr. Paddock, President of the Federal Reserve Bank of Boston, reading as follows:

"Reference is made to your letter of June 7, 1943, submitting the request of the Norfolk County Trust Company, Brookline, Massachusetts, for permission to establish two branches in Walpole, Massachusetts, in connection with the purchase of assets and assumption of deposit liabilities of the Walpole Trust Company.

"In view of your recommendation and the information furnished, the Board approves the establishment and operation of two branches in Walpole, Massachusetts, by the Norfolk County Trust Company, Brookline, Massachusetts, provided the plan for the purchase of assets and assumption of deposit liabilities of the Walpole Trust Company is consummated substantially as proposed, the prior approval of the appropriate State authorities is obtained and counsel for the Reserve Bank is to be satisfied as to the legal aspects involved."

Approved unanimously.

Letter to "The First National Bank of Marietta", Marietta, Georgia, reading as follows:

"The Board of Governors of the Federal Reserve System has given consideration to your application for permission to exercise additional fiduciary powers, and grants you authority to act, when not in contravention of State or local law, as trustee and registrar of stocks and bonds in connection with the Water Revenue Anticipation Certificates - Mayor & Council and Board of Lights & Water Works, City of Marietta, Georgia, the exercise of such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

"This letter will be your authority to exercise the additional fiduciary powers granted by the Board pending the preparation of a formal certificate covering such authorization, which will be forwarded to you in due course."

Approved unanimously.

In accordance with the action taken at the meeting of the Board on June 17, 1943, and the procedure suggested in the Board's letter of June 19, 1943, to Mr. Carstarphen, General Counsel of the Federal Reserve Bank of St. Louis, the issuance of the following order was approved by unanimous vote:

-7-

"THE BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, DISTRICT OF COLUMBIA
Regulation W - In Relation to

Mitchell Clothing Company	St. Louis	Missouri
Mitchell Clothing Company	East St. Louis	Illinois
Mitchell Clothing Company	Granite City	Illinois
Mayer's Clothing Company	St. Louis	Missouri
Mayer's Clothing Company	East St. Louis	Illinois

ORDER SUSPENDING LICENSE

"Louis H. Mitchell, having appeared in connection with alleged violations of Regulation W of the Board of Governors of the Federal Reserve System (hereinafter called the 'Board'), and having waived notice and opportunity for hearing before the Board and consented to the issuance of this Order for the suspension of his license, and having agreed that:

1. He was at all times mentioned herein and now is engaged in the business of making instalment sales and charge sales of listed articles through stores which he owns and operates under the following trade names in the following places:

Mitchell Clothing Company	615 North Seventh Street	St. Louis	Missouri
Mitchell Clothing Company	115 Collinsville Avenue	East St. Louis	Illinois
Mitchell Clothing Company	1316 Nineteenth Street	Granite City	Illinois
Mayer's Clothing Company	622 Delmar Boulevard	St. Louis	Missouri
Mayer's Clothing Company	111 Collinsville Avenue	East St. Louis	Illinois

2. He duly filed the Registration Statement required by the Board's Regulation W and was at all times mentioned herein and now is subject to such Regulation.

3. Before and after October 6, 1942, and continuing through May 17, 1943, he pursued a course of dealing in contravention of Regulation W and negligently failed to comply with same. Such negligent violations include (a) using charge accounts as a means of circumventing the down payment requirements of the Regulation, (b) improper and inadequate preparation and delivery of Statements of Transaction, (c) accepting insufficient down payment on instalment sales, (d) granting longer terms than permissible on instalment sales, (e) selling listed articles in defaulted charge accounts, and (f) selling listed articles in accounts which purported to be charge accounts but were in fact instalment accounts; and

6/24/43

"The said Louis H. Mitchell having further agreed that during the period of suspension of his license under this Order he will close all of the aforesaid stores and discontinue all sales including those for cash; that upon resumption of business following the termination of this suspension period, he will conform his business to the requirements of the Regulation; and that he will not in any manner in his future solicitations or advertisements for business indicate or imply that he will grant terms which would be in contravention of the Regulation:

"Accordingly, the Board having considered the consent, representations, and agreements of the party named, and under authority of section 5(b) of the Act of October 6, 1917, as amended, and the Executive Order of the President No. 8843, hereby orders:

1. That the license of said Louis H. Mitchell, issued pursuant to the Board's Regulation W be and the same is hereby suspended for the period commencing at 12:01 a.m. on July 4, 1943, and ending at 12:01 a.m. July 12, 1943, unless said period is sooner terminated by the Board: Provided, that this Order, during the suspension period, shall not prohibit (a) the carrying on of regular office and accounting work, (b) the receipt of any payments through the mails or through the normal and usual collection facilities which have heretofore been maintained off the premises of said stores, and (c) the making of payments of any obligations, including obligations to employees for salaries or wages.

2. Any terms used in this Order that are defined in Regulation W shall have the meaning therein given them.

"By order of the Board of Governors of the Federal Reserve System this 24th day of June, 1943.

(SEAL)

(Signed) Chester Morrill
Secretary

"I, the undersigned, Louis H. Mitchell, do hereby confirm the agreements and representations set out in the aforesaid Order, and consent to its issuance.

(Signed) Louis H. Mitchell"

In connection with the above action, unanimous approval was also given to the following statement, with the understanding that it would be handed to the press tomorrow morning for immediate release and that it would be wired to the Presidents of all the Federal Reserve Banks,

-9-

6/24/43

except St. Louis, and to the Managing Directors of all Branches with the statement that they were at liberty to give the release such local publicity as appeared to be desirable:

"The Board of Governors of the Federal Reserve System has suspended, for one week from July 4 to July 11, both dates inclusive, the license under the Board's Regulation W, of Louis H. Mitchell, who operates the Mitchell Clothing Company, 615 North Seventh Street, St. Louis, Missouri, Mitchell Clothing Company, 115 Collinsville Avenue, East St. Louis, Illinois, Mitchell Clothing Company, 1316 Nineteenth Street, Granite City, Illinois, Mayer's Clothing Company, 622 Delmar Boulevard, St. Louis, Missouri, and Mayer's Clothing Company, 111 Collinsville Avenue, East St. Louis, Illinois.

"The Board, acting under authority of section 5(b) of the Act of October 6, 1917, and the President's Executive Order No. 8843, ordered the suspension of the license because of failure to comply with the provisions of Regulation W with respect to credit sales. All of the terms of the Order were agreed to by the Registrant, who has given his assurance that he will hereafter comply with all the provisions of the Regulation.

"The violations included two of a general nature:

(1) The use of charge accounts as a means of circumventing the down payment requirements of the Regulation and

(2) Incompleteness of the Statement of Transaction.

"Specific violations included:

(3) Insufficient down payment on instalment contracts.

(4) The granting of longer terms than permissible on instalment obligations.

(5) Sale of listed articles into defaulted charge accounts, and

(6) Sale of listed articles in accounts which purported to be charge accounts but were in fact instalment accounts.

"Under the Order, the doors of the several stores will be closed for business during the period of suspension of the license, but the terms of the Order do not prevent payment of obligations owed by the Mitchell Clothing Company, including salaries and wages to employees, and normal accounting operations and collections."

Letter to Mr. Attebery, Vice President of the Federal Reserve Bank of St. Louis, reading as follows:

6/24/43

-10-

"Reference is made to your letter of June 17 in which you say that you have permitted a representative of the Department of Justice to examine a card file which you have in your Bank containing information taken from Registration Statements filed under Regulation W in other Federal Reserve Banks.

"In view of the fact that this card file does not contain any information which the Department of Justice representative could not have obtained from Registration Statements on file in other Reserve Banks, there is no objection to permitting him to examine the card file."

Approved unanimously.

Letter to Mr. W. C. Nesbitt, President of American Auto Appraisal, Detroit, Michigan, reading as follows:

"Reference is made to the Board's letter to you dated December 22, 1942, continuing the designation for the year 1943 of the American Auto Appraisal for use, in the territory specified in the Board's letter of March 21, 1942, for purposes of the Board's Regulation W.

"It has been noted that the latest issue of your guide has omitted quotations for many 1935 model cars. The effect of this change will be to make your guide unavailable for use under Regulation W in connection with credit sales of 1935 model cars, and Registrants subscribing to your publication will need to have access to some other guide when they extend credit for 1935 model cars.

"In view of this situation, we may wish to ask you to call attention to the status of the 1935 model cars in that part of your guide that refers to Regulation W, but before doing so we would like to have your reaction to such a suggestion.

"Incidentally, it should be mentioned that the elimination of the 1935 model prices is one of the kinds of changes that the Board would like to have brought to its attention in advance."

Approved unanimously, together with a similar letter to Mr. T. R. Leonard of the Northwest Publishing Co., Seattle, Washington, referring to the designation for the year 1943 of Northwest Used Car Values for purposes of the Board's Regulation W.

6/24/43

-11-

Thereupon the meeting adjourned.

Chester Morie
Secretary.

Approved:

W. C. ...
Chairman.