

A meeting of the Board of Governors of the Federal Reserve System with the Presidents of the Federal Reserve Banks was held in the offices of the Board in Washington on Tuesday, June 29, 1943, at 9:15 a.m.

PRESENT: Mr. Eccles, Chairman
 Mr. Ransom, Vice Chairman
 Mr. Szymczak
 Mr. McKee
 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. Smead, Chief of the Division of Bank Operations
 Mr. Parry, Chief of the Division of Security Loans
 Mr. Dreibelbis, General Attorney
 Mr. Wyatt, General Counsel

Messrs. Paddock, Sproul, Williams, Fleming, Leach, McLarin, Young, Peyton, Leedy, Gilbert, and Day, Presidents of the Federal Reserve Banks of Boston, New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, Minneapolis, Kansas City, Dallas, and San Francisco, respectively

Messrs. Bryan and Hitt, First Vice Presidents of the Federal Reserve Banks of Atlanta and St. Louis, respectively

Mr. Sienkiewicz, Secretary of the Presidents' Conference

Mr. MacKenzie, Vice President of the Federal Reserve Bank of Cleveland, and Mr. Wheeler, Director of Research at the Federal Reserve Bank of San Francisco

Mr. Dolley, Economic Adviser of the Federal Reserve Bank of Dallas

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Mr. Day, as Chairman of the Presidents' Conference, stated that the Conference at its meeting in Chicago on June 25-26, 1943, took action with respect to several matters which would be discussed with the Board at this time. These matters are set forth below, together with Mr. Day's statements of the actions of the Presidents' Conference and summaries of the discussions of the respective topics at this meeting.

1. Revision of the Retirement System of the Federal Reserve Banks. Mr. Day stated that the Conference discussed report No. 6 of the Committee Appointed to Review the Operation of the Retirement System dealing with the organization of, and the benefits provided under, the retirement system, and that the report was adopted with certain changes, the principal one of which was to base retirement benefits on the average annual salary during the last 20 years of service instead of the average annual salary for any 10 years of service. He also said that the committee had been instructed to make these changes in the report and to have the actuary prepare a schedule of costs of the revised plan, and that the revised report would be submitted to the Board for approval within the course of the next 10 days or two weeks after which, if the plan were approved, the necessary procedure would be followed to put it into operation.

It was stated that the Board would like to receive the plan as promptly as possible so that the Board could proceed without further delay to offer its employees the option of accepting the Board of Governors Plan.

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Chairman Eccles referred to the fact that a number of the larger banks had adopted retirement systems and that, in addition, the employees of these institutions were entitled to the benefits of the social security plan, and in these circumstances he questioned the advisability of changing the basis for the determination of retirement benefits to be paid employees of the Federal Reserve Banks from the average annual salary for the 10 highest salary years to the average annual salary for the last 20 years of service, which it was thought might reduce retirement benefits substantially for many employees, particularly in the middle-salary groups. He also suggested that there was a substantial number of Civil Service employees in Federal Reserve Bank and branch cities, and that it would be unwise to have too wide a disparity between the retirement benefits available to those employees and the employees of the Federal Reserve Banks.

Mr. Day stated that the Presidents had considered the matter in the light of possible future payments by the Federal Reserve Banks that might be necessary to maintain the solvency of the retirement system and felt that the proper approach would be a more conservative one which would limit the risks involved, and that the important question in determining whether a 10- or 20-year base should be adopted was whether the Board would be willing to approve the payment of the costs involved.

Mr. Sproul commented that it was the understanding of the Presidents that the adoption of the 20-year basis for computing retirement benefits would reduce the benefits of the higher-paid employees but would affect the lower-paid employees very little, and that before any

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decision was made in the matter it would be well to determine this point.

On the question of costs, Chairman Eccles stated that, while the Board desired to avoid all expenses that justifiably could be avoided, it had approved a retirement plan for its own employees which would provide the equivalent of Civil Service retirement allowances, and that he would dislike to see the Federal Reserve Banks adopt a program in which the benefits would be substantially lower than under the Civil Service retirement plan.

Mr. Day made the further statement that the Presidents' Conference had appointed a committee consisting of Mr. Fleming, as chairman, and Messrs. Sproul and Williams, as members, to discuss with the Board the retirement plan as approved by the Presidents' Conference.

2. Loans under Regulation S, Industrial Loans by Federal Reserve Banks, and Regulation V, War Financing. Mr. Day stated that action was taken by the Presidents' Conference on this matter as follows:

(a) The Conference discussed the nature of the experience gained by the Reserve Banks in lending under Regulation V. The Conference also reviewed present and postwar policies underlying this type of credit. It was agreed that it would be desirable to confer on this subject with the representatives of the armed services concerned, and that it would be particularly helpful to discuss with these services the purpose, procedure, and implications of the proposed bill "to expedite and facilitate the termination of war contracts and to permit the financing of such terminations". Copies of this bill were given to the Presidents by Governor McKee. It is felt that the experience of the Reserve Banks should be utilized in formulating policy and procedure under the proposed legislation.

(b) In the interest of the entire Reserve System, it was voted that the Board of Governors be requested to give

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an opportunity to the Presidents' Conference to present its views if there is to be any presentation of System views on the proposal that is being made or about to be made in the so-called Mead bill creating a permanent Small Business Financing Corporation within the Federal Reserve System.

In connection with paragraph (a), Mr. Day stated that a subcommittee of the Presidents' Conference Committee on Regulation V, consisting of five officers of the Federal Reserve Banks, had been appointed to confer with representatives of the services, that this conference was held yesterday, and that a report would be made by the subcommittee shortly.

Mr. Day also stated that the request referred to in paragraph (b) would be submitted formally to the Board by the Secretary of the Presidents' Conference, and that the purpose of the request was to make sure that the views of the Presidents with respect to the Mead bill were considered by the Board before any views that it might have were presented to Congress.

At this point Mr. Thomas, Assistant Director of the Division of Research and Statistics, and Mr. Vest, Assistant General Attorney, came into the meeting.

Following a comment by Mr. Sproul that paragraph (a) was considered in the light of the topic suggested by the Board for discussion by the Presidents in connection with the financing requirements for post-war conversion, Chairman Eccles stated that the suggestion was made with the thought that the System was in a better position to develop the necessary information on which to base a program for financing reconversion

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than any other department or agency of the Government, and that it was believed that the agency that had developed the necessary information and a program would be the one that would be given an opportunity to carry it out. He also said that the problem of reconversion appeared to the Board to be primarily a research problem at this point and that, while the question of credit would come into the picture, that phase of the matter would be secondary at this stage when we were trying to determine the nature and extent of the problem. He added that it was not only a question of reconversion of the concerns which had been converted to war production but also the financing of businesses which, because of war conditions, had been forced to curtail or suspend operations. He inquired whether the Presidents felt that the matter was primarily a research job which should be undertaken on a uniform basis and be national in its scope.

Mr. Sproul stated that Mr. Upgren, Vice President in charge of the research department at the Federal Reserve Bank of Minneapolis, had been appointed a member of the subcommittee, that he was well qualified to consider and advance the broader questions involved from a research standpoint, and that it was felt that, if someone from the Board's Division of Research and Statistics could be associated with the subcommittee in addition to Mr. Smead, the subcommittee could undertake to work out a program.

In the discussion which ensued, it was pointed out that there were other organizations which were undertaking work in this field, such

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as the Committee on Economic Development, and that some of the Federal Reserve Banks had been in touch with this Committee and were cooperating with its local organizations, and the opinion was expressed that if the System were to make a contribution in this field it should formulate a national program promptly and endeavor to obtain the cooperation of some of these other groups.

Chairman Eccles stated that he would like to see a committee of three or four economists from the Banks and one from the Board's staff appointed to draft the outline of a program on the basis of which the System could determine whether it would undertake to develop the necessary basic statistical information either alone or in cooperation with other agencies.

Mr. Williams expressed the opinion that the problem was largely one of research at this stage, and Mr. Sproul stated that, since the ultimate problem would be one of financing and credit, the System would have to draw on its experience in the credit field which would mean bringing into the picture the operating men who had carried on the activities of the System in that field, and that in order to provide for the research aspects of the task Mr. Williams, as Chairman of the Committee on Research and Statistics, might be associated with the Committee on Regulation V and a subcommittee of economists and research men could be appointed to work with the subcommittee of operating men.

At the conclusion of the discussion, Mr. Sproul moved that Mr. Williams, as Chairman of the Committee on Research and Statistics, be associated with the Committee on Regulation V, and

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that a subcommittee of research men be appointed to work under the direction of the Committee on Regulation V, with the understanding that a representative of the Board's Division of Research and Statistics would be associated with the new subcommittee.

Mr. Sproul's motion was put by Mr. Day as Chairman of the Presidents' Conference and was approved by the unanimous vote of the Presidents.

Mr. Day inquired whether Mr. Evans would be associated with the committee, and Chairman Eccles replied that to the extent the committee went into the field of research Mr. Evans would be associated with the Conference committee and Mr. Goldenweiser would be associated with the subcommittee.

At this point Mr. Vest withdrew from the meeting.

3. Self insurance. Mr. Day reported that the Insurance Committee appointed pursuant to the provisions of the self-insurance agreement was working on a report dealing with the expansion of the existing agreement and that this report with recommendations would be ready for action by the Presidents at their next Conference.

In this connection Mr. Leach stated that the committee had had three meetings since April 6 and had hoped to have a report ready for submission at the meeting of the Presidents in Chicago which would have contemplated the inclusion in the self-insurance agreement of risks now covered by the bankers' blanket bond and registered mail and express insurance, but that certain legal and other difficulties had been encountered and it had not been possible to complete the report. It was the committee's plan, he said, to prepare a report which would suggest the

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manner in which the self-insurance agreement could be expanded in the event it should be decided that that should be done.

Mr. McKee raised the question whether there was any objection to the Banks taking immediate steps to set up reserves for self insurance. This point was discussed, and Chairman Eccles suggested that the best procedure would be to wait until the self-insurance program had been agreed upon and to make provision for the necessary reserves in the usual manner at the end of the year.

4. Costs of uncurrent issues and depositary functions. Mr. Day stated that the Presidents' Conference had taken the position that the costs of handling uncurrent issues of Government securities and performing depositary functions had increased and would increase greatly in the near future, and that it would be advisable to review the basis upon which the Reserve Banks were being reimbursed by the Treasury for this service. He also said that the Conference decided to review this whole matter with the Board of Governors and had instructed the Committee on Free Services and Reimbursable Expenses to continue its inquiry into this field.

Mr. Szymczak stated that this was a matter which would be on the agenda for consideration at the next Treasury fiscal agency conference which it was expected would be held this fall.

Several of the Presidents referred to comments which they had heard which indicated that the Treasury program in connection with the September war financing drive was being prepared on the basis of the

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Federal Reserve Banks being asked to absorb some of the costs of the campaign, the reason therefor being that the Treasury was without the necessary funds to pay these expenses and hesitated to ask Congress for the necessary appropriation. In the discussion which ensued, Chairman Eccles referred to the decision reached by the Treasury following the last financing drive that the System should be relieved entirely of all responsibility for the drives for nonbank funds, and the opinion was expressed that in these circumstances there was a genuine question whether the Federal Reserve Banks could be expected to assume, or would be justified in assuming, these costs.

There was unanimous agreement that in the event the question were presented to the Board or the Federal Reserve Banks it should be handled on a System basis and that no commitment should be made by the Board or the Federal Reserve Banks until the matter could be considered on that basis. In taking this position it was made clear that there was no disposition on the part of the Board or the Presidents not to cooperate to the fullest possible extent in Treasury financing but rather that the matter was one which should be considered in the light of the decision of the Treasury to relieve the System of responsibility for the nonbank financing drives.

5. Regulation T, Extension and Maintenance of Credit by Brokers, Dealers, and Members of National Securities Exchanges, and Regulation U, Loans by Banks for the Purpose of Purchasing or Carrying Stocks Registered on a National Securities Exchange. Mr. Day reported that the Presidents'

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Conference gave consideration to the question of margin requirements under Regulations T and U and that the consensus of the Conference was that at the present time there was no convincing evidence or compelling reason disclosed by the stock market which would warrant an immediate increase in margin requirements, that current information was readily available on a weekly basis on which to take appropriate steps quickly if undesirable developments should appear in the market, and that the behavior of the market should be watched and reviewed constantly.

Chairman Eccles reviewed briefly for the information of the Presidents the consideration which had been given by the Board recently to this matter and stated that it had been agreed, without putting the matter to a formal vote, to take no action at this time. In that connection the Chairman commented that the grounds for possible action were not confined to the consideration of the amount of credit in use as reflected by the current figures.

6. Regulation Q, Payment of Interest on Deposits. The Presidents' Conference also considered, Mr. Day said, the question whether or not Regulation Q should be amended to permit the redemption of certificates of deposit before maturity if the funds were used for the purchase of Government securities, but the views of the Presidents on this point were divided and no definite action was taken.

Mr. McKee stated that this matter had been raised on several occasions in the past, that it had been discussed informally with representatives of the Treasury, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation, that the best

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procedure to follow would be to handle these cases as they arose on an informal basis which would permit the immediate withdrawal of funds represented by such certificates where the funds were to be used for the purchase of Government securities, and that it was believed that there would be no criticism from Washington if this course were taken.

Mr. Gilbert, in whose district the question had arisen recently, stated that the Federal Reserve Banks could handle in this manner only such cases as came to their attention.

7. Safekeeping facilities. Mr. Day reported that the question whether the Federal Reserve Banks should provide safekeeping facilities for Government securities owned by State and local governments was discussed in detail at the Presidents' Conference, that the consensus was that the present practice in this respect, which permitted individual Reserve Banks to meet local situations, should be continued unchanged with the understanding that the individual Reserve Banks would continue to meet individual problems as they arose, and that it was not advisable to formulate or adopt at this time any general policy governing this practice.

It appeared from the discussion which ensued that, while the Presidents were in sympathy with the desirability of encouraging the investment of State and municipal funds in Government securities, it would be unwise to adopt a policy of extending safekeeping facilities to all State and local governments for the reason that it might overload the Banks' vault facilities, and that, while the Banks should be free to extend the service where it appeared to be desirable, there should be no

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general invitation to States and municipalities to deposit their securities for safekeeping.

8. Regulation N. Relations with Foreign Banks and Bankers. Mr. Day stated that the Presidents' Conference had considered the two questions presented by the Board in its letter of May 1, 1943, in connection with the proposed revision of Regulation N and the statement of procedure with respect to foreign relationships of the Federal Reserve Banks, that the consensus was that, pending discussion with the Board, no need appeared for a change in the present procedure, and that, while it was desirable for all Reserve Banks to participate in foreign operations, such participation should be continued on a voluntary basis.

In response to an inquiry from Mr. Szymczak as to the reasons for the conclusion of the Presidents on this matter, Mr. Day stated that no reasons had been presented which would appear to the Presidents to necessitate a change in the present procedure and that it was their feeling that it would be better if the participations of the Federal Reserve Banks could be handled on a voluntary basis.

There was a general discussion of this whole matter in the light of the changes which had occurred since blanket authority for the opening of one-way accounts was given by the Board in December 1936 in the statement of procedure with respect to foreign relationships of Federal Reserve Banks, and Mr. Szymczak raised the question whether, if there was no reason for withdrawing the blanket authority with respect to accounts for central banks, the same authority should not be given for the opening of one-way accounts for foreign governments. It was his feeling that,

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since there were not many of these cases and since the Board had been given the responsibility under the law for special supervision of the foreign relationships of the Federal Reserve Banks, it would be a more desirable procedure if he, as the member of the Board having the foreign relationships of Federal Reserve Banks assigned to him for primary consideration, could have an opportunity to review the cases before the accounts were opened so that all of the aspects thereof could be considered by him and he could make a recommendation to the Board in the light of that consideration. It was felt, he said, that during the war period the questions that would arise in connection with the opening of a one-way account for a foreign central bank would be substantially the same as those involved in opening a similar account for a foreign government and that, therefore, both classes of cases should be handled in the same manner and should come to the Board.

With respect to the question of participation by the Federal Reserve Banks in such accounts, Mr. Szymczak was of the opinion that the Banks should operate as a System in connection with such accounts and that, if there were reason for the opening of an account, the same reason would be justification for the other 11 Banks to participate in the account. On the other hand, if there were a valid reason for non-participation on the part of one Federal Reserve Bank, the same reason would make it undesirable for the account to be opened in the first instance.

Mr. Sproul felt there was a distinction between the opening of accounts for foreign central banks and foreign governments, that the

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latter involved intricate problems requiring the consideration of all interested parties, and that, if the Board laid down a general definition of the policies and general terms under which accounts were to be maintained, its responsibility under the law would not require it to pass on the opening of individual accounts for foreign central banks. He also said that, so far as information was concerned, the Board had been furnished full information in all cases.

Mr. Szymczak responded that the point he had in mind was that, if these cases were presented to the Board for action on an individual basis, it would have a much closer contact with the whole situation than would be the case if the matter were merely submitted to the Board for its information while the negotiations were being carried on and after the account was established in accordance with a general policy approved by the Board. He inquired whether it would inconvenience the Banks if the procedure were changed to require the submission of each case to the Board for prior approval, and Mr. Sproul replied that he did not think it was a question of convenience but rather a question of what was the best procedure under the circumstances, and that he did not think that, if the Board lay down the principles upon which it desired to have the individual cases handled, the Reserve Bank should be required to submit each case to the Board.

Mr. Ransom inquired what arguments might be advanced for non-participation by the Federal Reserve Banks in foreign accounts, and Mr. Sproul responded that there had been only one Federal Reserve Bank that had declined participation, that there was some question on the part of

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the Presidents as to the desirability of forcing a Federal Reserve Bank to participate, and that it was hoped that the one Federal Reserve Bank that had not seen fit to participate in the past would change its position so that there would be no need for compelling participation.

Mr. Paddock stated that he did not think there would be any question about the participation of the Federal Reserve Bank of Boston after the revised Regulation N and the statement of procedure were approved.

All of the Presidents indicated agreement that it would be better if the Reserve Banks could participate on a voluntary basis. Mr. Eccles indicated that in his opinion this might not be effective in all situations and might, therefore, prove to be undesirable.

During a further discussion Mr. Dreibelbis stated that the Board had authority, but was not under a legal mandate, to require participation by all of the Federal Reserve Banks in foreign accounts.

Mr. Szymczak made the further comment that during the war period many things were occurring in Washington in connection with the international situation with which it was not possible for the boards of directors of the Federal Reserve Banks to keep in touch, and that the Board was in a position to be in closer touch with these matters, all of which would make it appear desirable for it to consider the opening of each new foreign account as it arose.

9. Relationships of Federal Reserve Banks with the Board and other Government agencies. Mr. Day stated that this matter was presented to the Presidents' Conference in the Board's letter of April 27, 1943, and

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that it was the general feeling of the Conference that the three questions referred to in the letter--participation of the Board in discussions with the Treasury of fiscal agency matters, contacts of the Federal Reserve Banks with Government departments or agencies, and submission to the Board of copies of information exchanged among the Federal Reserve Banks--required some clarification by the Board, and that particularly it would be desirable to review current practices and to indicate to the Conference the background of the inquiry.

Mr. Szymczak said that several things had arisen which led to the Board's decision that these matters should be discussed with the Presidents. He stated that often in the past the Treasury had contacted the Presidents or the executive committee of the Federal Open Market Committee without one knowing the position of the other on the matters under discussion, that the Board had frequently requested the Treasury to keep the Board advised of matters being taken up with the Federal Reserve Banks, and that although the Treasury had promised to do so the request was frequently overlooked so that in many cases the Board was not aware of what was going on. He further stated that recently the Presidents' Conference requested its Committee on Fiscal Agency Operations to take up with the Treasury three fiscal agency matters which had been considered by the Conference, that the chairman of the committee discussed the matters with Under Secretary Bell and addressed a letter to him regarding them, and that, while a copy of the letter was sent to the Board, it was felt that if the Board and the Federal Open Market Committee were to be fully informed in connection with matters of this kind

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it was necessary that they participate in these discussions. He went on to say that there were circumstances in which it was essential that the Federal Reserve Board and the Banks operate as a System on matters of national or System importance, and that, while there was no intention on the part of the Board to limit the freedom of informal interchange of views on the part of the Presidents or other officers of the Federal Reserve Banks, it was felt that in these matters there should be consultation and uniformity of action whenever that was possible in the interest of preserving the effectiveness of the System.

Chairman Eccles concurred in Mr. Szymczak's statement and suggested that on all System matters the Banks should have the benefit of the Board's contacts in Washington and the Board should have the benefit of the Banks' views before action was taken.

Mr. Peyton expressed the opinion that under that arrangement the Federal Reserve Banks should be kept fully informed by the Board and that there had been times in the past when the Banks did not know of items of major importance that were being considered by the Board. Members of the Board indicated agreement with Mr. Peyton's statement that the Banks should be kept fully informed, following which he said that there was an implication in the Board's letter of April 27 that the Presidents should not communicate with each other without first informing the Board.

Messrs. Eccles and Szymczak said that that was not the intention but rather that, if the President of a Federal Reserve Bank had a matter which was of sufficient importance to send information regarding it to the other Federal Reserve Banks, or the Federal Reserve Banks were

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furnishing reports or other information to the Presidents' Conference or a committee thereof, the Board would appreciate receiving a copy. Mr. Peyton's response was that the Presidents also would like to be advised of matters which the Federal Reserve Board sent out.

Mr. Sproul suggested that this question involved primarily matters relating to fiscal agency operations, and that there was no important problem in the contacts of the Reserve Banks with other departments or agencies of the Government. In that connection he referred to the letter addressed by the Board to the Federal Reserve Banks on December 8, 1941, in which it was stated that in order to facilitate closer relationships between the Treasury, the Board, and the Federal Reserve Banks on fiscal agency matters the Board was arranging for a conference with the Treasury and would advise the Banks of the outcome thereof. He said that the Banks had not been advised of the results of the conference and that, if the Treasury failed to observe the proper procedure, that difficulty would have to be worked out with the Treasury. He also expressed the feeling that the failure of the Treasury to keep the Board advised was not only a question of inadvertence but also of a feeling in the Treasury that fiscal agency operations were a matter of concern to the Treasury and the Federal Reserve Banks and one in which the Board had no special interest, and that that situation should be clarified with the Treasury.

Mr. Szymczak stated that there had been several conferences on the matter with the Treasury but that no specific conclusions had been reached.

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At the conclusion of the discussion Mr. Williams suggested that it was helpful to have this discussion, that the trend in handling the matters in question was in the right direction, and that it was hoped that that trend would continue.

Thereupon the meeting recessed and reconvened at 2:10 p.m. with the same attendance as at the beginning of the morning session except that Mr. Brown, Administrative Assistant in the Division of Security Loans, was also present.

Mr. Williams inquired whether, in view of the inability of the Federal Reserve Banks to obtain the necessary supplies and equipment to maintain their buildings and fixed machinery and equipment in accordance with established practices, the Reserve Banks should adopt a policy of providing reserves for maintenance and improvements such as air conditioning which could be used following the war for these purposes.

After a general discussion of this matter, it was agreed that it should be left to the discretion of the boards of directors of the respective Federal Reserve Banks, with the understanding that if a Bank desired to establish such reserves the Board of Governors would have no objection.

Mr. Gilbert referred to the letter addressed to the Federal Reserve Banks under date of June 18, 1943, enclosing a copy of a pamphlet prepared by the Office of War Information under the title "Information Program on Economic Stabilization to Keep Down the Cost of Living" and asking that the Board be advised of the number of copies the Federal Reserve Banks would like to have for distribution in their respective

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districts. Mr. Gilbert stated that, in view of all the circumstances, it was felt by his Bank that it would be better not to give the pamphlet wide distribution in the Dallas district.

Chairman Eccles responded that it was not intended that the Federal Reserve Banks should make any distribution of the pamphlet unless they chose to do so and that, as stated in the letter, the action to be taken was a matter entirely for decision at the respective Banks.

Mr. McLarin invited the Presidents to hold the next Presidents' Conference in Atlanta, and Mr. Sproul called attention to the fact that at the meeting of the Conference in Philadelphia on January 22-24, 1943, it had been decided to hold the next regular meeting of the Presidents in New York.

Chairman Eccles reviewed for the confidential information of the Presidents the origin and subsequent developments in connection with the proposed executive order which would confer upon the Board authority to regulate the use of credit for purchasing, carrying, or trading in commodities, real estate, or securities, and Mr. Dreibelbis outlined briefly the provisions of the order. Chairman Eccles made it clear to the Presidents that the Board was not seeking the authority that would be conferred by the order but would be willing to accept it under an order in substantially the form in which it had been prepared by Mr. Dreibelbis and Mr. Cohen of the Office of Economic Stabilization.

During Chairman Eccles' statement Mr. Thomas rejoined the meeting.

At the conclusion of his statement, Chairman Eccles said that he wished there was some way to avoid the necessity of assuming the

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responsibility that would be placed on the System by the order but that, if it were to be given to a Government agency, the System was the most logical place for it to be vested. Some of the Presidents indicated agreement with Chairman Eccles' attitude and expressed doubt as to the ability of any agency successfully to discharge the responsibility.

Mr. Gilbert inquired how the expense of administration of the order would be paid, and Chairman Eccles stated that it was probably assumed that the System would pay the cost.

Mr. Ransom stated that he felt the order should be considered in the light of the rapidly changing conditions which might have a materially adverse effect on the powers of the System to control the credit situation, and that the proposed order might be a step in the direction of a desirable coordination of selective credit controls in the Federal Reserve System.

The discussion was concluded with a statement by Chairman Eccles that a much more effective means of handling the problem sought to be dealt with by the order would be the adoption of an adequate tax program which would be more effective in curbing speculation and would be much easier to administer.

Chairman Eccles then stated that at the meeting of the Board with the Presidents in March there was a discussion of a desire on the part of the Board to employ someone as a member of its Division of Research and Statistics to assist in the direction of the program of regional research being undertaken by the Federal Reserve Banks, that the Board desired to commend the Banks for the progress that they had

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made in the program, and that, although the Board had not yet been able to find a satisfactory man to help in the direction of the program, it was still working on the problem and had in mind a man who would be an excellent choice if available. He went on to say that the matter was being mentioned at this time so that the Presidents would know that the Board had not forgotten it, and that it was hoped that the services of a qualified man could be obtained on a temporary basis with the understanding that if his employment proved to be satisfactory to both him and the Board the arrangement would become permanent.

Mr. Ransom referred to the problem which was constantly before the Board and the Federal Reserve Banks in connection with Regulation W, Consumer Credit, of the extent to which steps should be taken to enforce the regulation, and stated that the Board had been guided by the policy on the one hand of trying to see to it that those who were affected by the regulation did not receive the impression that the System did not care whether the provisions of the regulation were observed or not, and on the other hand that enforcement was not carried to a point where it would antagonize the people whose support was necessary if any degree of success in the administration of the regulation was to be attained. He also said that the question was whether that middle-of-the-road policy was proving to be successful, and that he would like to know while the Presidents were in Washington whether they had any comments to make in connection with the problem. He did not feel that it was essential that there be complete uniformity of procedure at all of the Federal Reserve Banks but he did feel that there was advantage in each Reserve Bank having

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as much discretion as possible in discharging the responsibility of enforcement. Mr. Ransom went on to say that the administration of the regulation was very much in the nature of an experiment, that he thought the Banks on the whole were doing a good job in carrying out the existing policy, and that he was interested in having a full discussion and knowing whether the Presidents felt that they were doing the best they could, whether the present arrangement was entirely satisfactory to them, and, if not, what suggestions they might wish to make with respect to changes in the policy.

In connection with his comments, Mr. Ransom referred to a tabulation prepared by the Division of Security Loans under date of June 28, 1943, showing the number of licencees investigated in relation to the total number of licencees in the respective districts and the number of violators in relation to the total number of licencees investigated. The question of the significance of these statistics was discussed, together with the questions suggested by the tabulation whether the individual Federal Reserve Banks had a sufficient number and the right kind of investigators in the field and what would constitute a satisfactory investigation of a registrant and an adequate spot check of the registrants in a particular district.

At the conclusion of the discussion it was understood that copies of the tabulation referred to by Mr. Ransom would be given to the Presidents who were interested in having copies and that when the Presidents returned to their Banks they would review the whole enforcement program in the light of this discussion and send to the Board any comments that

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they might have to make, bearing in mind the necessity of avoiding the danger of it appearing that the System was failing adequately to enforce the regulation.

There was a discussion of the date for the next meeting of the Board with the Presidents of the Reserve Banks, and it was agreed that, inasmuch as a meeting of the Federal Open Market Committee should be held during the early part of September, the tentative date for that meeting and a meeting of the Board with the Presidents should be set for September 6 and 7, 1943.

In order that the Presidents might be fully informed of developments in connection with proposed bank holding company legislation, Chairman Eccles stated that in the light of the expansion policy being followed by Transamerica Corporation the Board was giving consideration to the desirability of suggesting legislation which would give the Board adequate authority to deal with that situation, that a bill had been introduced by Congressman Patman on this subject, but that it was felt by members of the Board that if legislation were to be enacted it should be cleared through the Bureau of the Budget and should have the support of the Federal bank supervisory agencies. He referred to testimony given by him at a recent hearing before the House Banking and Currency Committee in which this subject was discussed and to a telephone conversation which he had had with Congressman Patman regarding it, and stated that, while he did not like the thought of seeking legislation at this time in order effectively to control the one case which was creating the problem, he did not see how that could be avoided, and that if Congress failed to

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give the Board the necessary authority the Board would be relieved of responsibility.

Thereupon the meeting adjourned.

Chester Morrie

Secretary.

Approved:

M. S. Lewis

Chairman.