

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, August 5, 1943, at 11:00 a.m.

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

Mr. Morrill, Secretary
Mr. Carpenter, Assistant Secretary
Mr. Clayton, Assistant to the Chairman

The action stated with respect to each of the matters herein-after referred to was taken by the Board:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on August 3, 1943, were approved unanimously.

Telegram dated August 4, 1943, to Mr. Paddock, President of the Federal Reserve Bank of Boston, reading as follows:

"In accordance with request contained in your letter, August 2, Board approves payment of salary to Ansgar R. Berge, Assistant Counsel, at the rate of \$5,000 per annum for the period ending April 30, 1944."

Approved unanimously.

Letters dated August 4, 1943, to the "Riverside Trust Company", Hartford, Connecticut, "The Miners & Merchants Bank", Smithfield, Ohio, the "Indiana Lawrence Bank and Trust Company", North Manchester, Indiana, and "The Medaryville State Bank", Medaryville, Indiana, reading as follows:

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"The Board is glad to learn that you have completed all arrangements for the admission of your bank to the Federal Reserve System and takes pleasure in transmitting herewith a formal certificate of your membership.

"It will be appreciated if you will acknowledge receipt of this certificate."

Approved unanimously.

Telegram to Mr. Dillard, Vice President of the Federal Reserve Bank of Chicago, reading as follows:

"Re telegram August 3, revised NHA General Order No. 60-4A merely has the effect of incorporating in the Order a ruling of which you were advised in the Board's letter of April 14, 1943, S-635. Your wire was first information we had received that Order had been revised. Through some error at NHA office no notice was given to us. We are securing the usual number of copies for transmission to the Federal Reserve Banks."

Approved unanimously.

Letter to Mr. Hale, Vice President of the Federal Reserve Bank of San Francisco, reading as follows:

"This refers to your letter of July 27, 1943, enclosing a copy of a letter dated June 23 from the Security-First National Bank of Los Angeles to Mr. Newman at the Los Angeles Branch of your Bank. Briefly, the question presented is whether a Registrant may make a 90-day single-payment loan for the purpose of enabling the borrower to meet the first quarterly curtail required under section 7(c)(2) of Regulation W on an outstanding 90-day single-payment loan held by the same or some other Registrant.

"As you know, section 7(c) provides that a single-payment loan 'may not be renewed or extended except as' provided in that section, the provisions of which are exclusive. Section 7(c)(2) requires an actual reduction in or partial retirement of the borrower's indebtedness;

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"but, the arrangement contemplated by the above question, as a matter of substance, does not meet such requirement since it would extend to the borrower an additional 90 days merely by changing the manner of recording the indebtedness, the amount of which would remain the same. In addition, such an arrangement should not be countenanced considering the provisions of section 11(a).

"The foregoing is applicable regardless of whether the second single-payment loan would be made by the Registrant who made the first single-payment loan or by another Registrant, in view of section 7(f)."

Approved unanimously.

Letter to Mr. Peyton, President of the Federal Reserve Bank of Minneapolis, reading as follows:

"This is in reply to your letter of July 28 questioning the advisability of extending the deposit survey according to plans outlined in our letter of July 12.

"The two tests you propose are wholly reasonable ones. But in the opinion of our people, and we believe in the opinion of those in the Federal Reserve System who have considered the matter, the answer to both questions would be 'yes.' The question who owns the greatly expanded volume of bank deposits is of the utmost importance in making plans for financing the war, for purposes of directing the anti-inflation campaign, and for purposes of making fiscal and economic plans for the postwar period. The first survey revealed an unexpectedly large volume of business deposits. However, because this survey was mostly confined to larger banks, there were some doubts as to whether the results secured were wholly dependable. Small banks are not unimportant. Demand deposits of individuals and businesses in banks covered by the special 'small bank' survey planned for July 31 are 30 per cent of such deposits at all banks, and the nature of these deposits certainly must be different from that of the deposits in large banks. We can no more afford to leave these smaller 'country' banks out of our fact finding than we can afford to leave them out of our general policy programs.

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"The reasons for engaging in this survey should not be considered on any such narrow grounds as 'cooperating with the Statistical Department of the Board.' This project was reviewed originally by the Presidents' Conference Committee on Research and received its hearty approval. It was endorsed by the Trustees of the Research Fund of the Association of Reserve City Bankers. One of the Reserve Banks had made ambitious plans for such a survey even before it was adopted as a System-wide program. The broad outlines of the project as well as the technical details were worked out by a committee consisting of Reserve Bank and Board representatives. It is our impression that most of the Reserve Banks are pushing this project strongly, and in numerous cases we already know of enthusiastic support by the reporting commercial banks. Your letter is all the more puzzling in view of the fact that your own research department has advanced plans for adding to this survey of deposits a survey of debits which would place on banks a substantial added burden beyond that which is now contemplated.

"We are sympathetic with the unfortunate position in which many banks find themselves short of personnel and we agree thoroughly that no statistical project should be undertaken if there are any unresolved doubts about its value. It is our opinion, however, that all things considered, the advantages of the present project clearly outweigh the costs. Furthermore, the survey is purely voluntary and no bank which has serious objections or difficulties in reporting is obliged to participate.

"I hope that this will convince you of the strong case for the project. The date of the survey has already passed and not only are we anxious to get the data as promptly as is reasonably possible, but the experience with the previous survey indicated that banks find reporting much easier if they can be notified in advance, or at least very soon after the reporting date."

Approved unanimously.

Memorandum dated July 31, 1943, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending (1) that Messrs. Triffin and Hammond of the Board's staff be authorized

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to make a two-month trip to Paraguay as members of a financial mission, which is going to that country in response to a request from the Paraguayan government transmitted through our State Department and which will consist of representatives of the Board of Governors of the Federal Reserve System, the Farm Credit Administration, the Home Owners Loan Corporation, and the Office of Price Administration, (2) that Messrs. Triffin and Hammond also be authorized during the trip to make brief visits of a few days each to Colombia, Argentina, and Uruguay, and (3) that they be allowed a per diem in lieu of subsistence of \$8 while they are on the trip.

Approved unanimously.

Memorandum of this date from Mr. Pollard, Assistant Chief of the Division of Examinations, recommending that, instead of being allowed an increased per diem of \$7, as approved by the Board on July 27, 1943, only during the period in which they are engaged in the current examination of Transamerica Corporation and its affiliates, the examiners and assistant examiners engaged in the examination be allowed a per diem of \$7 beginning July 16, 1943, and continuing until the special assignment is concluded and they return to their headquarters or arrive in the city of their next assignment.

Approved unanimously.

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Thereupon the meeting adjourned.

Chester Morice
Secretary.

Approved:

W. S. ...
Chairman.