

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, August 25, 1943, at 4:15 p.m.

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

Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary
Mr. Smead, Chief of the Division of Bank Operations
Mr. Dreibelbis, General Attorney
Mr. Kennedy, Assistant Chief of the Government Securities Section, Division of Research and Statistics

Mr. Morrill stated that Mr. Peyton, President of the Federal Reserve Bank of Minneapolis, called on the telephone this morning to say that he had received a wire by Postal Telegraph from the Secretary of the Treasury reading as follows:

"The prestige, counsel and leadership of the Federal Reserve Banks which contributed so much to the success of the Second War Loan in April are vitally needed if we are to reach the goal set for the Third War Loan. As President of the Federal Reserve Bank you occupy a strategic position in this program. Major responsibility for facilitating the prompt and efficient issuance of bonds to individuals rests with you. During the Second War Loan over thirty million E bonds were issued and the Federal Reserve Banks established an all-time record for the efficient handling of this unprecedented chore. During the Third War Loan Drive we shall probably have to issue in excess of fifty million bonds. This will require a substantial increase in the number of issuing agents and outlets. The manner in which these outlets function may well spell the difference between success and failure. I have complete confidence that you will leave no stone unturned to insure success. Beyond this you are in a position to observe the manner in which the September Campaign is organized and conducted. Won't you let me have any suggestions you have for making the Third War Loan Drive a success? I want you to know how much all of us at the Treasury appreciate your cooperation and selfless service in helping us to organize for this Drive."

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and that he (Mr. Peyton) had in mind sending a reply to the effect that the Federal Reserve Bank of Minneapolis would continue to give its best efforts toward the success of the third war loan drive but that it was suggested that the Treasury cooperate by answering his letter of July 28, 1943, which was submitted through the Board of Governors and which raised a number of questions with respect to the extent to which the Federal Reserve Banks were authorized to pay expenses in connection with the drive which would be reimbursed by the Treasury. Mr. Morrill added that he suggested to Mr. Peyton that he defer sending a reply until the matter could be discussed by the Board of Governors. He also said that he had learned that the Federal Reserve Bank of Philadelphia received a similar telegram and that it seemed likely that it had been sent to all of the Federal Reserve Banks.

Mr. Szymczak commented that he had seen Mr. Bell today in another connection and had taken the opportunity to mention this matter to him, and that Mr. Bell had said that he would like to see what happened in the third war loan campaign and, on the basis of that experience, work out a procedure with respect to the payment of expenses. However, Mr. Bell was in agreement, Mr. Szymczak said, with the position taken by Mr. Peyton that he could not approve the payment of expenses without the assurance that they were properly authorized by Treasury representatives.

In the discussion which ensued, the members of the Board concurred in the opinion that, inasmuch as the Treasury had set up outside the Federal Reserve Banks the organization for conducting the third war loan drive and the Reserve Banks had been relieved of all authority and

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responsibility in connection with the determination of the procedure to be followed and the expenses to be incurred, they should not pay any such expenses without proper authorization or instructions from the Treasury.

At the conclusion of the discussion, it was agreed that Messrs. Szymczak and Smead should discuss the matter with Mr. Bell, Under Secretary of the Treasury, tomorrow, telling him that the Federal Reserve Banks were raising questions as to what they should do in the circumstances and that it was the feeling of the Board that the Banks should be given more definite advice as to the expenses that they were authorized to pay for the account of the Treasury on a reimbursable basis which would make it clear that the Treasury did not expect the Banks to pay expenses in connection with the drive for which they could not receive reimbursement.

In connection with the above matter, Mr. Morrill referred to a memorandum addressed to the Board of Governors under date of August 25, 1943, by Mr. Kennedy with respect to a question raised by Mr. Preston, Vice President of the Federal Reserve Bank of Minneapolis, as to whether the Reserve Banks were to be responsible for the sale of securities to insurance companies during the third war loan drive. The Federal Reserve Banks had been given to understand originally that they would have responsibility during the drive for sales to commercial banks, savings banks, savings and loan associations, and insurance companies, and it had been learned by Mr. Kennedy in a conversation with Mr. Gamble of the Treasury following the inquiry from Mr. Preston that the State War Finance Committees had been advised that responsibility for all sales, except to commercial banks, would be centered in these Committees but that the Federal Reserve Banks had not been informed of this change.

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There was agreement that the Federal Reserve Banks should be promptly advised, and Chairman Eccles stated that he would discuss the matter with Mr. Bell.

Reference was then made by Chairman Eccles to a letter received under date of August 20, 1943, from First Vice President Drinnen of the Federal Reserve Bank of Philadelphia, in which it was stated that the board of directors of the Bank, subject to approval by the Board of Governors, had authorized the expenditure of not to exceed \$10 per person for the purpose of sending a Christmas box to each of the 144 employees of the Bank in the armed services. The Chairman stated that he felt that unless the Board was prepared to approve a similar expenditure by the other Federal Reserve Banks it should not do so for the Philadelphia Bank, and that the question whether such expenditures should be incurred should be considered on a System basis.

There was a discussion of the extent to which the System might go in matters of this kind, and Mr. Morrill was requested to discuss the matter with Mr. Williams, President of the Philadelphia Bank, by telephone with a view to the deferment of action by the Philadelphia Bank until the question could be considered and decided on a System basis.

At this point Messrs. Smead, Dreibelbis, and Kennedy 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 August 24, 1943, were approved unanimously.

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Letter to Mr. Hays, First Vice President of the Federal Reserve Bank of Cleveland, reading as follows:

"In view of the circumstances described in your letter of August 20 regarding the transfer to new positions of Miss Sally Robbins and Miss Florence Gale, formerly secretaries to senior officers, the Board of Governors approves the continuation of payment to them of salaries at the rate of \$2,500 per annum, which was within the maximum annual salary in the personnel classification plan established for the former positions but is in excess of the maximum annual salary for the positions to which they have been transferred."

Approved unanimously.

Letter to Mr. Young, President of the Federal Reserve Bank of Chicago, reading as follows:

"In accordance with the request contained in Mr. Diercks' letter of August 18, 1943, the Board approves the appointment of Allan Howard Frazer Martindale as an assistant examiner for the Federal Reserve Bank of Chicago. Please advise us of the date upon which the appointment becomes effective."

Approved unanimously.

Letter to Mr. J. E. Middleton of the Bankhead Motor Company, Monahans, Texas, reading as follows:

"This will acknowledge your letter of August 19, 1943, with reference to the used car price situation in Monahans, Texas. We are giving consideration to the suggestion that the Kelley Blue Book, The Official Used Car Guide, be designated for use in connection with Regulation W's credit requirements in your market.

"A change in the area for which this used car appraisal guide book is designated can only be made after a comprehensive survey of the situation in the Southwest. This will take some time but it will be done as promptly as possible and you will be advised of the result."

Approved unanimously, together with similar letters to Mr. R. A. Whatley of the Russell Whatley Motor Co., Mineral Wells,

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Texas, and Mr. Max Mosko of the Max Mosko Motor Co., Denver, Colorado.

Similar letters were subsequently sent on August 27, 1943, to Mr. K. P. Gifford of the Finance Trust Company, El Paso, Texas, and Mr. W. S. Haston, Vice President of The American National Bank, Silver City, New Mexico.

Thereupon the meeting adjourned.

Chester Morris
Secretary.

Approved:

W. S. Haston
Chairman.