

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Saturday, September 18, 1943, at 10:30 a.m.

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

Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary
Mr. Clayton, Assistant to the Chairman
Mr. Smead, Chief of the Division of Bank Operations
Mr. Dreibelbis, General Attorney
Mr. Vest, Assistant General Attorney

ALSO PRESENT: Mr. Davis, President of the Federal Reserve Bank of St. Louis

Mr. Davis stated that in his letter of September 7, 1943, he had presented reasons why it was believed desirable to provide for additional space at the Louisville and Memphis Branches of the Federal Reserve Bank of St. Louis, and that because of the urgency of the situation at Memphis he would like to discuss with the Board this morning the proposal of the board of directors of the Branch that an additional story (4,500 square feet) be added to the Branch building at a cost estimated by the S & W Construction Company of \$66,780 (including architect's fees of 6 per cent). He said that the original building had been constructed with the necessary foundations and supports to permit the addition of another floor, that therefore the construction would require a minimum of critical materials, and that in view of the crowded condition of the Branch and the fact that no satisfactory space was available for rent within a reasonable distance of the Branch

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building it was felt that the work should be authorized. He went on to say that question had been raised whether the cost of the new floor would increase the total cost of the building proper beyond the limitation of \$250,000 established by section 10 of the Federal Reserve Act, and that he had received a letter from the Managing Director of the Branch under date of September 16, 1943, which indicated that even with the additional floor the cost of the building proper would be less than that amount. He made the further statement that the recommendation of the Memphis directors had been approved by the board of directors of the Federal Reserve Bank of St. Louis subject to approval by the Board of Governors.

During a discussion of the proposed addition, Mr. McKee inquired whether it had been ascertained that the work actually could be done for the amount stated, and Mr. Davis said that the estimated cost would be within 5 per cent of the actual expenditure.

At the conclusion of the discussion, Mr. Szymczak moved that the Board interpose no objection to the expenditure by the St. Louis Bank of approximately \$67,000 for the proposed addition, with the understanding that in no event would the total cost of the building proper, exclusive of cost of vaults, permanent equipment, furnishings and fixtures, be in excess of the limitation of \$250,000 imposed by section 10 of the Federal Reserve Act.

Mr. Davis then commented briefly on the consideration being given by the Bank to steps that might be taken to meet the space problem

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at the Louisville Branch and stated that a further study of that matter was being made, including the possible availability of other quarters for the Branch, and that he had nothing to present to the Board for consideration at this time.

At this point Messrs. Smead, Dreibelbis, Vest, and Davis 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 September 17, 1943, were approved unanimously.

Memorandum dated September 13, 1943, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending (1) that Mrs. Jane Barco, a clerk in that Division, be permitted to use her accumulated and accrued annual leave, including any compensatory leave to her credit, and that she also be granted leave without pay for such time as may be necessary for a period of not to exceed six months in order to be with her husband while he is still in this country, and (2) that the Board continue to make its contributions to the retirement system on Mrs. Barco's behalf during the time she is on leave without pay provided she continues her own contributions for the same period.

Approved unanimously.

Memorandum dated September 14, 1943, from Mr. Leonard, Director of the Division of Personnel Administration, to Governor Szymczak,

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stating that in passing upon salaries of officers of the Federal Reserve Banks last spring a number of proposed increases were not approved because it was considered that the increases would have required certification, that under the "hold-the-line" order the certification procedure had been held in abeyance but that advice had now been received that it was in order to act under the certification procedure, and that it was recommended that the Reserve Banks concerned be advised as follows with respect to the pending cases:

Letter to Mr. Creighton, Chairman of
the Federal Reserve Bank of Boston:

"When the salary recommendations for officers of the Federal Reserve Bank of Boston were considered informally last spring you were advised that, under the salary stabilization regulations, the Board could not approve an increase in the salary of Mr. Carrick, Vice President and General Counsel.

"The certification procedure has since become unblocked, but as a matter of policy the Board is not in favor of increases in the higher salaries which would change the pattern of the Bank and require certification to the Joint Committee. In accordance with this policy, and in view of the fact that Mr. Carrick received a \$1,000 increase in May 1942, the Board does not approve an increase in Mr. Carrick's salary. This action is not intended in any way to minimize the long and faithful service which Mr. Carrick has rendered the Bank nor his participation in the management.

"While no action is being taken on Mr. Carrick's salary, this letter is written in order that you may be kept informed of the developments."

Letter to Mr. McCabe, Chairman of
the Federal Reserve Bank of Philadelphia:

"When the salary recommendations for officers of the Federal Reserve Bank of Philadelphia were considered informally last spring you were advised that, under

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"the salary stabilization regulations, the Board could not approve the proposed increase of \$1,000 in the salary of Mr. Wm. G. McCreedy, Assistant Vice President and Secretary, which had been recommended in your letter of April 13.

"The certification procedure has since become unblocked, and upon receipt of an appropriate certificate to be submitted to the Joint Committee to support the increase, the Board will approve payment of salary to Mr. McCreedy as Assistant Vice President and Secretary of the Bank at the rate of \$10,000 per annum for the period May 1, 1943 through April 30, 1944, provided your directors formally fix his salary at that figure."

Letter to Mr. Leach, President of
the Federal Reserve Bank of Richmond:

"In a letter dated May 25, 1943, the Board advised you that it was believed that under the existing salary stabilization regulations an increase in the salary of Mr. J. R. Cupit, Cashier of the Baltimore Branch, was not permissible at that time.

"The certification procedure has since become unblocked, and upon receipt of an appropriate certificate to be submitted to the Joint Committee to support the increase, the Board will approve payment of salary to Mr. Cupit as Cashier of the Baltimore Branch at the rate of \$7,500 per year for the year beginning June 1, 1943, which is at the rate fixed by the directors of your Bank as reported in your letter of May 11, 1943."

Letter to Mr. Neely, Chairman of the
Federal Reserve Bank of Atlanta:

"When the salary recommendations for officers of the Federal Reserve Bank of Atlanta were considered informally last spring you were advised that, under the salary stabilization regulations, the Board could not approve the proposed increase of \$300 in the salary of Mr. T. A. Lanford, Cashier at the Jacksonville Branch, which had been recommended in your letter of April 14.

"The certification procedure has since become unblocked, and upon receipt of an appropriate certificate to be submitted to the Joint Committee to support the increase, the Board will approve payment of salary to

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"Mr. Lanford as Cashier at the Jacksonville Branch at the rate of \$5,300 per annum for the period June 1, 1943 through May 31, 1944, provided your directors formally fix his salary at that figure."

Letter to Mr. Nardin, Chairman of
the Federal Reserve Bank of St. Louis:

"In a letter dated May 28, 1943, the Board advised you that, under the existing salary stabilization regulations, it did not believe that the increases recommended by your directors in the salaries of Mr. L. H. Bailey, General Auditor, and Mr. C. E. Martin, Assistant Cashier of the Memphis Branch, could be approved.

"The certification procedure has since become unblocked, and upon receipt of an appropriate certificate to be submitted to the Joint Committee to support the increase, the Board will approve payment of salary to Mr. Martin as Assistant Cashier of the Memphis Branch at the rate of \$5,100 per annum for the year beginning June 1, 1943.

"The question of Mr. Bailey's salary has been discussed with the office of the Commissioner of Internal Revenue, who has advised us informally that, without considering the case as a precedent, the Commissioner's office would not object to approval of the increase without certification. Accordingly, the Board approves payment of salary to Mr. Bailey as General Auditor at the rate of \$7,200 per annum for the year beginning June 1, 1943, the rate as fixed by your board of directors."

Letter to Mr. Caldwell, Chairman
of the Federal Reserve Bank of Kansas
City:

"In a letter dated June 5, 1943, the Board advised you that, under the existing salary stabilization regulations, increases in the salaries of President Leedy and Mr. John Phillips, Jr., Assistant Vice President, and an increase in the salary of Mr. Koppang, First Vice President, beyond \$15,000, were not permissible at that time.

"The certification procedure has since become unblocked, and upon receipt of an appropriate certificate to be submitted to the Joint Committee to support the increase, the Board will approve payment of salary to

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"Mr. Phillips as Assistant Vice President of the Bank at the rate of \$8,500 per annum for the period June 1, 1943 through May 31, 1944, which is at the rate as reported in your letter of May 22, 1943.

"The present salaries of Mr. Leedy and Mr. Koppang are at the maximums established for the positions by the Board in July 1941, and the Board does not believe that at this time any change should be made in those maximum salaries for any one particular Bank."

Letter to Mr. Day, President of
the Federal Reserve Bank of San Francisco:

"In a letter dated May 7, 1943, the Board advised you that it was believed that, under the existing salary stabilization regulations, increases in the salaries of Messrs. Holman, Wheeler, Ambrose, Davis, and Shaw were not permissible at that time.

"The certification procedure has since become unblocked, and upon receipt of an appropriate certificate to be submitted to the Joint Committee to support the increases, the Board will approve payment of salaries to the following officers at the rates indicated, for the period May 1, 1943 through April 30, 1944:

<u>Name</u>	<u>Title</u>	<u>Salary</u>
<u>Head Office</u>		
F. H. Holman	General Auditor	\$ 8,500
O. P. Wheeler	Director of Research	8,000
<u>Los Angeles</u>		
W. N. Ambrose	Managing Director	11,000
<u>Portland</u>		
D. L. Davis	Managing Director	9,500
<u>Seattle</u>		
C. R. Shaw	Managing Director	9,500

"The salaries as approved for Messrs. Holman and Wheeler are at the rates fixed by your directors, as reported in your letter of April 3, 1943.

"The Board did not believe it appropriate to increase the salary of Mr. Ambrose in the amount of \$2,000 and the salaries of Messrs. Davis and Shaw in the amount of \$1,500, as recommended, but approves an increase of \$1,000 in the salary of each."

Approved unanimously.

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

"In accordance with the request contained in your letter of September 14, 1943, the Board approves the appointment of James F. Hunt as an examiner for the Federal Reserve Bank of St. Louis. Please advise us of the date upon which the appointment becomes effective."

Approved unanimously.

Memorandum dated September 14, 1943, from the Personnel Committee, submitting the name of John Davidson Clark, Professor of Economics and Dean of the College of Business Administration at the University of Nebraska, as a director of the Omaha Branch of the Federal Reserve Bank of Kansas City for the unexpired portion of the term ending December 31, 1943, and recommending (1) that the Chairman of the Federal Reserve Bank of Kansas City be requested to ascertain informally whether Mr. Clark would accept appointment and (2) that the appointment be tendered if he would accept.

Approved unanimously.

Letter to Mr. McCabe, Chairman of the Federal Reserve Bank of Philadelphia, reading as follows:

"I have shown to the members of the Board of Governors who are in Washington the draft of circular which you proposed to send to the member banks in your district in connection with the election of directors of the Federal Reserve Bank of Philadelphia for terms beginning January 1, 1944, and they have asked me to say to you that they are in accord with your thought as to the desirability of calling the attention of the member banks to the importance of their responsibility in the election of Federal Reserve Bank directors.

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"For reasons which I mentioned to you when we discussed the matter yesterday afternoon, you may wish to substitute for the words 'their representatives on' in the fourth from the last line of the letter of transmittal some such words as 'the election of members of'."

Approved unanimously.

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

"Re your telegram September 16, 1943, regarding new VT loans. Where Borrower has obtained adjustment under section 6 of guarantee agreement upon cancellation of all his war production contracts, Financing Institution is required to waive interest on entire amount of loan including unguaranteed portion, but Guarantor pays interest to Financing Institution on entire loan pursuant to provisions of that section. Regarding your second question, it is our understanding that the fact that a Financing Institution has given a commitment in connection with a VT loan does not in any way affect its right to extend unguaranteed credit to Borrower for working capital to be used in performance of war production contracts on basis of which VT commitment was issued."

Approved unanimously, together with letters to Colonel Paul Cleveland of the War Department, Mr. Coolidge of the Navy Department, and Lieutenant Griffith of the Maritime Commission transmitting copies of the incoming telegram and the above reply.

Letter to the Presidents of all the Federal Reserve Banks, reading as follows:

"With reference to the Board's letter of May 29, 1943, and your reply, regarding charges made by banks for their services in cashing and collecting checks, the Board has reached the conclusion that the limitations contained in the first paragraph of section 13 of the Federal Reserve Act do not apply to charges made by banks for cashing or collecting checks drawn on other banks.

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"For your information in this connection, there is enclosed a copy of a letter which the Board has written to Mr. Millard W. Rice, National Service Director, Disabled American Veterans, under date of September 16, 1943, in reply to an inquiry as to whether it is possible for the Board to issue a directive prohibiting charges by member banks for the cashing of certain Government checks."

Approved unanimously.

Letter prepared for the signature of Mr. Ransom to Honorable Francis Biddle, The Attorney General, reading as follows:

"In the absence of Chairman Eccles, I wish to thank you for your letter of August 24, 1943, inviting the Board to submit for the consideration of your Department and the Council of State Governments proposals for legislation to be submitted to the State legislatures which meet next year.

"After canvassing the situation, the Board does not know of any State legislation which it desires to propose at this time. However, it is hoped that the proposed amendment exempting Federally guaranteed war production loans from the loan limitations of the State banking laws, which was placed on the program of the Council of State Governments last year at the Board's suggestion and which has passed 40 of the State legislatures; will be enacted next year in Kentucky, Louisiana, Mississippi and Virginia, which had no legislative sessions this year, and possibly in South Carolina, where the proposal was not submitted to the legislature this year because the State Banking Board preferred to handle the matter by administrative action in each individual case.

"In response to the inquiry contained in the next to the last paragraph of your letter, you are advised that Mr. Walter Wyatt, the Board's General Counsel, will continue to serve as the individual to whom communications and inquiries regarding State legislation may be directed and upon whom you may rely for clearance with regard to such matters originating in other Federal departments and agencies."

Approved unanimously.

Letter to the Comptroller of the Currency, reading as follows:

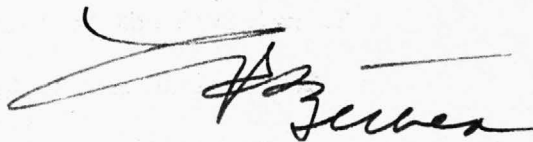
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"It is respectfully requested that you place an order with the Bureau of Engraving and Printing, supplementing the order of June 15, 1943, for printing of \$47,700,000 of Federal Reserve notes of the 1934 Series for the Federal Reserve Bank of St. Louis in the \$5 denomination."

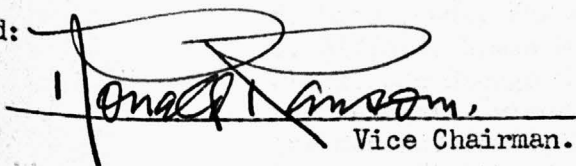
Approved unanimously.

Thereupon the meeting adjourned.



Assistant Secretary.

Approved:



Donald Ransom,
Vice Chairman.