

11/12/43 A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, November 12, 1943, at 11:00 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

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 November 11, 1943, were approved unanimously.

Telegrams to Mr. Paddock, President of the Federal Reserve Bank of Boston, Mr. Treiber, Secretary of the Federal Reserve Bank of New York, Messrs. Leach and McLarin, Presidents of the Federal Reserve Banks of Richmond and Atlanta, respectively, Mr. Dillard, Vice President of the Federal Reserve Bank of Chicago, Mr. Stewart, Secretary of the Federal Reserve Bank of St. Louis, Mr. Ziemer, Vice President of the Federal Reserve Bank of Minneapolis, Mr. Gilbert, President of the Federal Reserve Bank of Dallas, and Mr. Hale, Secretary of the Federal Reserve Bank of San Francisco, stating that the Board approves the establishment without change by the Federal Reserve

11/12/43

-2-

Bank of San Francisco on November 9, by the Federal Reserve Banks of New York, Atlanta, Chicago, and Minneapolis on November 10, by the Federal Reserve Banks of Richmond and Dallas on November 11, and by the Federal Reserve Banks of Boston and St. Louis today, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Memorandum dated November 9, 1943, from Mr. Paulger, Chief of the Division of Examinations, recommending that the temporary appointment of Miss Audrey L. Moye as a stenographer in that Division be made permanent and that her basic salary be increased from \$1,440 to \$1,620 per annum, effective November 16, 1943.

Approved unanimously.

Memorandum dated November 9, 1943, from Mr. Morrill, recommending that Seaton Dyson, a messenger in the Secretary's Office who reached the retirement age of 65 on July 4, 1942, and whose retention in active service through December 31, 1943, had been approved by the Board, be retained in active service on a temporary basis, at his present basic salary of \$1,600 per annum, for a further period of not to exceed one year beginning January 1, 1944, his continuance in employment during that period to depend upon the need for his services and his ability to render them satisfactorily. The memorandum stated that Dyson had been fully informed of the benefits available to him as a retired member of the Federal Reserve retirement system as compared with the

11/12/43

-3-

benefits available if he continued as an active member of the retirement system, and that it was his wish to continue in his present position.

Approved unanimously.

Memorandum of this date from Mr. Morrill, submitting the resignation of Ralph Matthews as a cafeteria helper in the Secretary's Office, to become effective as of the close of business on November 15, 1943, and recommending that the resignation be accepted as of that date.

The resignation was accepted.

Memorandum dated November 11, 1943, from Mr. Morrill, recommending, for the reason stated in the memorandum, that the employment of Robert E. Betz as a laborer in the Secretary's Office be terminated at the close of business on November 4, 1943.

Approved unanimously.

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

"In accordance with the requests contained in your three letters dated October 29, 1943, the Board of Governors approves the payment of salaries to Messrs. O. J. Netterstrom, Vice President, and F. L. Purrington, Assistant Vice President, at the rates of \$12,000 and \$8,500 per annum, respectively, for the period November 1, 1943 to March 31, 1944, inclusive. The Board of Governors also approves the payment of a salary to Mr. Paul C. Hodge as Assistant General Counsel at his present rate of \$6,000 per annum for the period October 28, 1943 to March 31, 1944, inclusive."

Approved unanimously.

11/12/43

-4-

Letter to Mr. Meyer, Assistant Cashier of the Federal Reserve Bank of Chicago, reading as follows:

"The Board of Governors approves the changes in the personnel classification plan of the Federal Reserve Bank of Chicago, involving the establishment of ten positions in the Withheld Tax Department, as submitted with your letter of November 5, 1943."

Approved unanimously.

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 November 3, 1943, the Board of Governors approves the payment of a salary to Mr. Edwin S. Coombs as Senior Credit Investigator in the Credit-Discount Department, for a further period of six months ending May 16, 1944, at the rate of \$6,000 per annum, which is \$2,000 in excess of the maximum annual salary provided in the personnel classification plan for the position to which he is assigned."

Approved unanimously.

Letter to Mr. Leedy, President of the Federal Reserve Bank of Kansas City, reading as follows:

"In accordance with the action of the Board of Directors of the Federal Reserve Bank of Kansas City, as indicated in your letter of November 6, 1943, the Board of Governors approves the payment of a salary to Mr. E. U. Sherman, Assistant Cashier, at the rate of \$5,100 per annum for the period October 1, 1943 to May 31, 1944, inclusive."

Approved unanimously.

Letter to the board of directors of the "Fidelity State Bank", Dodge City, Kansas, stating that, subject to conditions of membership

11/12/43

-5-

numbered 1 to 3 contained in the Board's Regulation H, the Board approves the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Kansas City.

Approved unanimously, together with a letter to Mr. Leedy, President of the Federal Reserve Bank of Kansas City, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of the 'Fidelity State Bank', Dodge City, Kansas, for membership in the Federal Reserve System, subject to the conditions prescribed in the enclosed letter which you are requested to forward to the Board of Directors of the institution. Two copies of such letter are also enclosed, one of which is for your files and the other of which you are requested to forward to the Bank Commissioner for the State of Kansas, for his information.

"It is assumed that you will follow the matter of the bank's bringing into conformity with the provisions of law and the Board's regulations the savings accounts listed on page 16(1) of the report of examination for membership.

"The memorandum accompanying the application for membership states that on January 2, 1933, The State Bank of Dodge City and The Kansas State Bank were consolidated and continued operations under the charter of the latter bank and under the name Fidelity State Bank, but no further information as to the nature and effect of the transaction has been furnished. It would seem that the records maintained by the banking authorities of the State of Kansas would contain copies of the agreements entered into between these two banks, and possibly an amendment to the charter of The Kansas State Bank as its capital was then increased, at least temporarily, to \$100,000. It is assumed that this matter was considered by your counsel, and the application has been approved with the understanding that the consolidation had no effect upon the corporate existence or powers of Fidelity State Bank."

11/12/43

-6-

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

"When information comes to your attention regarding any clearing house action in your district providing for the discontinuance of absorption of exchange and collection charges in view of the Board's recent ruling, it is suggested that it might be helpful to the other Federal Reserve Banks if you would advise them and at the same time send us copies of the form of resolution or other action taken by the clearing house."

Approved unanimously.

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

"In connection with the form of participation certificate to be issued by the Federal Reserve Banks pursuant to section 8 of the standard form of guarantee agreement of April 6, 1943, a copy of which was enclosed with the Board's letter of October 28, 1943 (S-704), there is enclosed a copy of a memorandum received by the Board from the War Department dated November 9, 1943, with further reference to this matter."

Approved unanimously.

Letter to Admiral E. S. Land, Chairman of the U. S. Maritime Commission, reading as follows:

"Since receipt of Mr. Anderson's letter of October 30, 1943, addressed to the Acting Administrator, War Loans Committee, with respect to salary and dividend payments of borrowers on Regulation V loans guaranteed by the Maritime Commission, the matter has been considered by the members of our War Loans Committee and by the Board of Governors.

"As you are aware, it has always been the practice of the Federal Reserve Banks to analyze carefully each application for a Regulation V guaranteed loan.



11/12/43

-7-

"Careful consideration is given to the condition of the applicant, the quality of its management, its prospects of successfully performing the contracts financed, and of paying off borrowings under guaranteed loans. In this connection, the Federal Reserve Banks have from time to time made recommendations with respect to both salary and dividend payments. Where salaries appeared to be excessive in relation to the character and volume of business done, recommendations have been made with respect to their limitation or subordination to the loan. Likewise, in certain cases recommendations have been made that a guarantee be authorized on condition that no dividends be paid by the borrower, or that dividends be limited to specified amounts, during the life of the loan. Furthermore, guarantee agreements contain the standard conditions adopted by the Maritime Commission on May 14, 1943, and forwarded by us to the Federal Reserve Banks, the first two of which read as follows:

'1. The borrower shall pay no dividends unless the same are approved by the financing institution.

'2. Present executive officers' salaries, fees, bonuses, commissions, etc. are deemed to be reasonable by the financing institution and shall not be increased.'

"After a thorough review of this matter, the Board's War Loans Committee, and the Board itself, feels that the present procedure followed by financing institutions and the Federal Reserve Banks is adequate from a credit standpoint. To ask them to make specific recommendations with respect to salaries of \$25,000, or more, would not be helpful but in many cases might lead to less satisfactory results than are obtained under present practice. In many cases a salary of less than \$25,000 may be relatively more excessive than a salary of \$25,000 or more, when viewed in the light of the quality of the management and the character and volume of the business of the borrower.

"The Board of Governors does not feel, therefore, that it would be justified in asking either the Federal Reserve Banks or the financing institutions to make specific recommendations relating to an administrative policy of the guarantor of the kind set forth in the second paragraph of Mr. Anderson's letter. It believes that the administration of any such policy can best be handled

11/12/43

-8-

"here in Washington by the Commission."

Approved unanimously.

Letter prepared for the signature of Mr. Ransom to Mr. Louis B. Goodenough, Editor of Retailing, New York, New York, reading as follows:

"I appreciate sincerely your invitation to me to contribute an article on Regulation W to the post-war planning issue of RETAILING, but after careful consideration I have come to the conclusion that for me to accept this invitation would be inadvisable.

"We are aware that there has been discussion in trade circles for some time of the question whether consumer credit regulation by the Federal Government should be continued after the war, and we have been following this discussion carefully, but we have taken no part in it ourselves. My own feeling is that I should continue to stay out of the discussion until and unless, as is not now the case, the Board should develop a policy on the subject."

Approved unanimously.

Letter to Honorable D. W. Bell, Under Secretary of the Treasury, prepared for the signature of Chairman Eccles in accordance with the action taken at the meeting of the Board on October 22, 1943, reading as follows:

"Pursuant to the suggestion made in your letter of September 23, the Board has decided, subject to clearance with the Bureau of the Budget, to request all weekly reporting member banks to report separately the amounts of loans to brokers and dealers and to others, respectively, for the purpose of purchasing or carrying Government securities.

"If agreeable to you, the Board will have the banks begin reporting the new data as of the first report date in January 1944. As you know, the weekly reports are



11/12/43

-9-

"collected by the Reserve Banks and, where practicable, it is desirable to give them ample time to prepare new report forms and instructions for the guidance of the reporting banks. It is also desirable to give the reporting banks advance notice so that they will have ample time to make the necessary arrangements to compile the additional information. This procedure will, of course, provide the desired figures well in advance of the beginning of the next War Loan campaign."

Approved unanimously.

Letter prepared for the signature of Chairman Eccles to Honorable Nellie Tayloe Ross, Director of the Mint, reading as follows:

"Receipt is acknowledged of your letter of November 8, 1943, in which you refer to the critical situation with respect to minor coins.

"It is understood that the Under Secretary of the Treasury recently authorized the Federal Reserve Banks to request all banking institutions in their respective districts to return to them, or to their branches, all pennies in excess of immediate needs. Pursuant to the Under Secretary's request, the Federal Reserve Banks are sending circulars to all banking institutions in their districts urging them to send in their excess pennies.

"A copy of your letter is being sent to each Federal Reserve Bank for its information and you may be assured of their continued cooperation."

Approved unanimously.

Memorandum dated November 11, 1943, from Mr. Carpenter, recommending that the Board authorize the payment of a charge of \$10 for the rental of a room which was engaged at the Hotel Statler for a meeting of the executive committee of the Chairmen's Conference on November 7, 1943.

Approved unanimously.

11/12/43

-10-

Thereupon the meeting adjourned.

Cheser Morrie  
Secretary.

Approved:

W. C. Cullen  
Chairman.