

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

PRESENT: Mr. Eccles, Chairman
Mr. Ransom, Vice Chairman
Mr. Szymczak
Mr. McKee
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 November 29, 1943, were approved unanimously.

Memorandum dated November 30, 1943, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that the temporary appointment of Jorge Tejada, as an Economic Assistant in that Division, be extended for an additional period of not to exceed four months from November 30, 1943, with no change in his present basic salary at the rate of \$1,800 per annum.

Approved unanimously, with the understanding that Mr. Tejada will continue as a nonmember of the Federal Reserve retirement system.

Memoranda dated November 11, 1943, from Mr. Paulger, Chief of the Division of Examinations, recommending that the following increases

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in basic annual salaries of employees in that Division be approved, effective December 1, 1943:

<u>Name</u>	<u>Designation</u>	<u>Salary increase</u>	
		<u>From</u>	<u>To</u>
Mrs. Nancy R. Porter	Clerk-stenographer	\$1,920	\$2,040
Frances Scott	Secretary to Mr. Pollard	1,920	2,040

Approved unanimously.

Memorandum of this date from Mr. Morrill submitting the resignation of Miss Anne McCrory as a cafeteria helper in the Secretary's Office, to become effective as of the close of business on November 30, 1943, and recommending that the resignation be accepted as of that date.

The resignation was accepted.

Letter to Mr. Rounds, Chairman of the Retirement Committee of the Retirement System of the Federal Reserve Banks, reading as follows:

"Enclosed is the application of Mrs. Margaret A. Rice of the Board's staff for special service retirement effective January 1, 1944. The Board approves the retirement of Mrs. Rice as of that date.

"In case the proposed Board of Governors Plan is put into effect before the end of the year, Mrs. Rice will be entitled to retirement under its terms as having attained age 62. In that event, it is assumed the form of the application will have to be amended. The application is filed at this time, however, in order to comply with the requirements that it be submitted thirty days before the prospective date of retirement."

Approved unanimously.

Telegram to Mr. Clark, Vice President of the Federal Reserve Bank of Atlanta, referring to the application of the "Bank of Millen",

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Millen, Georgia, for permission to withdraw immediately from membership in the Federal Reserve System, and stating that the Board waives the usual requirement of six months' notice of intention to withdraw, and that, accordingly, upon surrender of the Federal Reserve Bank stock issued to the "Bank of Millen", the Federal Reserve Bank of Atlanta is authorized to cancel such stock and make appropriate refund thereon.

Approved unanimously.

Letter to Mr. Grady, Chairman of the Federal Reserve Bank of San Francisco, reading as follows:

"Receipt is acknowledged of your letter of November 19, 1943, enclosing a copy of a letter dated November 17, 1943, from Bank of America N. T. & S. A. and a copy of your letter 'Letter B', 'Election of Directors', dated November 12, 1943.

"Bank of America N. T. & S. A. questions the view expressed by the Board in its wire of November 5, 1943. However, on November 8, 1943, by coincidence, Mr. Charles W. Collins, who has appeared on numerous occasions in behalf of Bank of America N. T. & S. A. or Transamerica Corporation or both, sought an appointment with one of the members of the Board for the stated purpose of reading to him, at the request of the Chairman of the Board of Directors of Bank of America N. T. & S. A., a letter dated November 2, 1943, from the Chairman to Mr. Collins. Mr. Collins called on November 9, 1943, and brought with him a purported copy of the original letter in which, among other things, Bank of America N. T. & S. A. was referred to expressly as one of the 'Transamerica banks'. This would seem to confirm the view expressed in the Board's wire of November 5th. In any event, the Board sees nothing in the latest letter from Bank of America N. T. & S. A. which would cause it to express any view different from that expressed in its wire of November 5th.

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"You may advise Bank of America N. T. & S. A. that the Board has noted its protest and convey to it the contents of this letter."

Approved unanimously.

Letter to Mr. Charles W. Bishop, General Counsel of the National Automobile Dealers Used Car Guide Company, Washington, D. C., reading as follows:

"This is in answer to your letter of November 20, 1943, in which you requested that the Board's original designation of the National Automobile Dealers Used Car Guide books as of March 21, 1942, be amended.

"It is understood that Districts B, EF, G, S. E. Michigan, H, and J are to remain the same. The requested changes involve the consolidation of Districts L and O and inclusion of the State of Utah which was formerly in District K. This new edition is to be called the Pacific Coast Edition.

"This request meets with our approval but, in order to complete our files, we should like to have the additional following information:

1. The names and addresses of the manager, statistician, and the supervisory committee men of the Pacific Coast Edition of the NADA Official Used Car Guide, and the directors of NADA who will supervise its preparation.

2. The nature of the control to be effected by the National Automobile Dealers Association over this new publication.

3. A description of the statistical methods which will be employed in the determination of used car prices.

4. The tentative dates of publication.

5. The subscription rates for the publication.

"We should also like to have you call the attention of the new manager and the supervising directors to the following paragraphs quoted from our communication to

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"Mr. Post on March 21, 1942:

'The Board's designations of all appraisal guides are being limited to their quotations for used cars of 1935 and later models. The maximum credit value of a car of 1934 or earlier model -- in the absence of designated "appraisal guide values" for such cars -- will be $66\frac{2}{3}$ per cent of the bona fide cash purchase price, and there will be no objection to your pointing out these facts in connection with any values that you quote for 1934 and earlier models.

'It is requested that your organization refrain from publishing any statement (in the N.A.D.A. Official Used Car Guide or elsewhere) to the effect that such publication is among those designated by the Board for the purposes of Regulation W unless such statement is accompanied by a statement of equal prominence to the effect that such designation does not indicate any findings by the Board as to the accuracy or correctness of the prices shown or of the methods of compilation. It is also requested that any such statement as to this designation appear inside of the publication rather than on an outside cover. It is assumed, of course, that you will avoid making any statement (in the N.A.D.A. Official Used Car Guide or in any advertisement, circular, letter, or other material) that would improperly indicate that your prices or methods of compilation have been found to be correct by the Board or by the United States Government or by any other agency thereof, and that you will use your best efforts to prevent any such misrepresentation by others.

'It is also suggested that your publication, if it includes any notice that it is among those designated for purposes of Regulation W, include also a statement indicating the territory for which it is designated and the dates within which the particular issue is in effect.

'In the event that you desire that any change be made in the terms of designation or in the requests outlined above, the Board will be glad

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"to give consideration to any suggestions or proposals that you may wish to submit."

Approved unanimously.

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

"Thank you for your letter of November 15 saying that you have advised Mr. Gatzert that the procedure for handling instalment mail orders under Regulation W as outlined in his letter, a copy of which you enclosed, is satisfactory to your bank."

Approved unanimously.

Letter prepared for the signature of Chairman Eccles to Congressman Warren G. Magnuson, reading as follows:

"This is in response to your letter of November 18, 1943, enclosing a letter from the Treasurer of the State of Washington, Mr. Otto A. Case. Mr. Case suggests the desirability of legislation which would enable States to borrow from Federal Reserve Banks on their Government bonds in the same manner as banks.

"This proposal needs to be considered in light of the principal purposes for which the Federal Reserve System was created by Congress and in light of the effects of Federal Reserve operations upon the general credit system. It should be recognized that the Federal Reserve Banks are bankers' banks. They deal primarily with their member banks and with the open market for Government securities. Loans of the type suggested by Mr. Case can and should be made by member banks, that is, national banks or State banks which belong to the Federal Reserve System, where State laws permit the authorities to borrow in the manner suggested. It is the task of the Federal Reserve authorities to see that member banks have adequate reserves to meet all legitimate and desirable credit needs. State governments, finding it necessary to borrow, should be able to obtain credit from local banks, and Federal Reserve Banks should not

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"be in competition with local institutions in making such loans.

"It is also a part of the task of the Federal Reserve authorities to discourage excessive credit extension on the part of member banks. Any credit advances made by Federal Reserve Banks, whether to member banks or to others, have the effect of supplying member banks with additional reserve funds which can in turn provide the basis for multiple credit expansion. Loans made by member banks do not have this effect. It is possible that if the Federal Reserve Banks were called upon to make loans to State authorities of the type suggested by Mr. Case, such loans might have the effect of adding reserves to the banking system at a time when this would be in conflict with other policies being followed by the Federal Reserve System to restrict or limit credit expansion on the part of member banks.

"There is a provision in the Federal Reserve Act which authorizes the Federal Reserve Banks, subject to such limitations, restrictions, and regulations as the Board may prescribe, to make advances to any individual, partnership, or corporation secured by direct obligations of the United States. This provision was made a part of Section 13 of the Federal Reserve Act by an amendment contained in the Emergency Banking Act of March 9, 1933. This, of course, was an emergency measure designed to assure the public that credit could be obtained at a time when the banking system had temporarily broken down. This authority has never been used extensively.

"As long as member banks are in a position to extend credit, or the market is in a position to absorb sales of Government securities, and it is part of the task of the Federal Reserve authorities to see that such a situation exists, it is neither necessary nor desirable that the public borrow directly from the Federal Reserve Banks. For these reasons it would seem undesirable and unnecessary to enact new legislation expanding the Reserve Banks' authority to enable them to make loans against Government securities to States and political subdivisions.

"I trust this will explain to your satisfaction the Board's position with respect to Mr. Case's suggestion. His letter is returned herewith."

Approved unanimously, together with

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the following letter prepared for the signature of Chairman Eccles to Under Secretary of the Treasury Bell:

"I am returning herewith the copy of a letter that you received from Senator Wallgren enclosing one from the State Treasurer of the State of Washington, together with a draft of a proposed reply prepared in your office. I am also sending you a copy of a reply which I have sent to Congressman Magnuson regarding the same inquiry.

"Our reply and yours, you will note, are consistent in all but one respect: the Board would prefer not to have legislation extending the benefits of Section 13 to State governments."

Letter prepared for the signature of Mr. Dreibelbis, General Attorney, to Mr. Richmond B. Keech, Corporation Counsel of the District of Columbia, reading as follows:

"Many thanks for your letter of November 29, 1943, transmitting a copy of your memorandum to the Commissioners with reference to the disclaimer which the Board will undertake to obtain from the twelve Federal Reserve Banks.

"You will understand, of course, that, because of the wide distances which separate the banks and the necessity of obtaining individual action by each of them, a reasonable amount of time will be required. However, it is the Board's intention to proceed with all dispatch in obtaining execution of the instrument by all of the banks and causing it to be spread upon the public records. I will undertake to keep you informed of the progress which the Board is making."

Approved unanimously.

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

"Supplementing my acknowledgment of November 26 of

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"your letter of November 22 transmitting information regarding your program of small meetings of executive officers of banks in your district, I brought this material to the attention of Mr. Evans and Mr. Thurston and today we talked it over with Chairman Eccles. The program is such an interesting approach to the solution of the problem of bank relations that we would like, if agreeable to you, to know what your schedule of future meetings is, with the thought in mind that Mr. Thurston might attend one or two of them as an observer, not a participant, and bring back to us his first-hand impressions of these meetings. This would be of assistance in our correspondence and discussions with other Federal Reserve Banks in regard to their programs. We suppose that your itinerary will extend over the next several months because you say that in the winter and spring you expect to arrange meetings that, together with the meetings previously held, will cover the entire district.

"I do not know at this time just when it would be convenient for Mr. Thurston to attend any of these meetings and consequently we would not wish you to change any arrangements or to make any special arrangements with reference to his attendance. Will you kindly let me know at your convenience about your plans and your comments upon the suggestion in this letter."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Mowbray
Secretary.

Approved:

W. S. Eccles
Chairman.