

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Saturday, January 29, 1944, at 11:30 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 January 28, 1944, were approved unanimously.

Memorandum dated January 22, 1944, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that the basic salary of Walter R. Gardner, a Senior Economist in that Division, be increased from \$7,500 to \$8,500 per annum, effective February 1, 1944.

Approved unanimously.

Memorandum dated January 19, 1944, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that the basic salary of Robert Triffin, an Associate Economist in that Division, be increased from \$4,600 to \$5,600 per annum, effective

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February 1, 1944. The Personnel Committee had noted on the memorandum a recommendation that the increase be from \$4,600 to \$5,200 per annum, effective February 1, 1944, with the understanding that a further adjustment might be made later in the year.

The recommendation of the Personnel Committee was approved unanimously.

Memoranda of this date from Mr. Morrill, submitting the resignations of Mrs. Dorothy Sanders and Mrs. Annie Guice as charwomen in the Secretary's Office, to become effective as of the close of business on January 24 and 26, 1944, respectively, and recommending that the resignations be accepted as of those respective dates.

The resignations were accepted.

Letter to the Secretary of State, reading as follows:

"The National City Bank of New York has made application to the Board of Governors of the Federal Reserve System, pursuant to the provisions of section 25 of the Federal Reserve Act, for permission to establish an additional branch in the Republic of Brazil to be located at Porto Alegre.

"In view of the situation now existing throughout the world, the Board of Governors will appreciate your advice as to whether the Department of State has any reason for feeling that the permission applied for should not be granted."

Approved unanimously, together with a similar letter to the Comptroller of the Currency.

Letter prepared for the signature of Chairman Eccles to Mr.

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Otto A. Case, State Treasurer and Chairman of the State Finance Committee, Olympia, Washington, reading as follows:

"This is with reference to your letter of January 13 transmitting your more extended letter of the same date to Mr. Bell of the Treasury.

"On the surface there would appear to be merit in your contention that State governments should be given access to direct borrowings from Federal Reserve Banks since they are as much entitled to that privilege as are individuals, partnerships and corporations, if not more so. I believe, however, that a careful analysis of the matter will demonstrate that there is no need for legislation of the kind you propose.

"As to the point of equality of privilege with individuals, partnerships and corporations, a review of the purposes of and the circumstances surrounding the amendment to section 13 of the Federal Reserve Act by the enactment of the Emergency Banking Act of 1933 is illuminating. That Act was passed hurriedly and without hearings or debate on March 9, 1933, during the banking holiday. The provision in question was included with the idea that as banks were gradually reopening following the bank holiday there might be communities where no banks at all would be operating. It was the purpose of the provision in the law to which you refer to enable firms in such communities to meet their payrolls and other necessary expenses by borrowing temporarily from the Federal Reserve Banks. While I recognize that the purpose behind the inclusion of this provision seemed compelling at the time, I feel that the situation should have been met by other means. In spite of the relative scarcity of bank credit for several years following the bank holiday, very little use has been made of the provision in question. At any rate, you and I will agree, I am sure, that there is little possibility of such a bad banking situation occurring in the future that State governments would face the borrowing problem which individuals, partnerships and corporations faced or were expected to face in scattered communities during and following the dark days of the banking holiday. Even at that time, so far as I know, no State was so hard hit by bank failures that loans were not available on the security of United States Government obligations. Most

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"certainly any State government could obtain this type of credit from at least some of the commercial banks within its boundaries, under any imaginable situation. Thus I am convinced that there is no practical need for legislation of the kind suggested by you.

"Since it is clear that the existing authority of the Reserve Banks to loan to individuals, partnerships and corporations on the security of United States Government obligations is of little importance, it would be desirable, in my opinion, to terminate such authority. The matter, however, is not urgent and since Congress is reluctant to consider any legislation that is not needed at this time, such an amendment should be deferred until such time as comprehensive banking legislation might receive the consideration of Congress.

"As was briefly pointed out in the last paragraph of my letter of November 30 to Congressman Magnuson, it is one of the responsibilities of the Federal Reserve authorities to see that the market is in a position to absorb sales of Government securities without substantial price declines. The Treasury also coordinates its own transactions in Government securities with the open-market operations of the Federal Reserve System. It seems reasonably assured that in the post war period, notwithstanding the possibility of economic disturbances due to the transition from war to peace, the market for Government securities will remain stable. The combined strength of the Federal Reserve authorities and the United States Treasury in the monetary field should constitute a guarantee against a repetition of the serious decline in Government securities which occurred following World War I."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrill
Secretary.

Approved:

W. S. [Signature]
Chairman.