A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, February 2, 1944, at 11:30 a.m.

PRESENT: Mr. Eccles, Chairman
Mr. Ransom, Vice Chairman
Mr. Szymczak
Mr. McKee
Mr. Draper
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 February 1, 1944, were approved unanimously.

Memorandum dated January 17, 1944, from Mr. Leonard, Director of the Division of Personnel Administration, referring to the approval by the Board on January 7, 1944, of the appointment of Alexander Gerschenkron as an Economic Specialist in the Division of Research and Statistics subject to a satisfactory check with the Federal Bureau of Investigation, and recommending that a letter dated January 14, 1944, from Mr. Hoover, Director of the Bureau, which stated that a review of the Bureau files failed to reflect any information of a pertinent nature concerning Mr. Gerschenkron, be considered a satisfactory check in lieu of the usual investigation which the Bureau
had indicated it would be unable to make. 

Approved unanimously, with the understanding that the general question of policy presented in a memorandum dated January 21 from Mr. McKee, with respect to the appointment of aliens to the Board's staff without an investigation by the Federal Bureau of Investigation, would be taken up at an early meeting of the Board.

Memoranda of this date from Mr. Morrill submitting the resignations of Mrs. Chlora Craig and Mr. Ulys H. Craig as cafeteria helpers in the Secretary's Office, to become effective as of the close of business on February 14 and 22, 1944, respectively, and recommending that the resignations be accepted as of those respective dates.

The resignations were accepted.

Letter to the "Progressive Industrial Bank", New Orleans, Louisiana, reading as follows:

"The Board is glad to learn that you have completed all arrangements for the admission of your bank to the Federal Reserve System and takes pleasure in transmitting herewith a formal certificate of your membership. "It will be appreciated if you will acknowledge receipt of this certificate."

Approved unanimously.

Telegram to Mr. Clark, Vice President of the Federal Reserve Bank of Atlanta, referring to the application of the "Bank of Commerce", Clayton, Alabama, 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 Commerce, the Federal Reserve Bank of Atlanta is authorized to cancel such stock and make appropriate refund thereon.

Approved unanimously, together with the following letter to Mr. Neil G. Greensides, Assistant Chief of the Division of Examination of the Federal Deposit Insurance Corporation:

"In accordance with the request contained in your letter of January 27, 1944, the Board of Governors of the Federal Reserve System hereby grants written consent, pursuant to the provisions of subsection (k)(2) of Section 12B of the Federal Reserve Act, for examiners for the Federal Deposit Insurance Corporation to make an examination of the Bank of Commerce, Clayton, Alabama, in connection with its application for continuation of insurance after withdrawal from membership in the Federal Reserve System.

"There are no unfulfilled conditions nor incomplete corrective programs with respect to the member bank in connection with which the Board would suggest incorporation of conditions for continuing its status as an insured bank."

Letter to Mr. E. F. Longinotti, Vice President of the Union Planters National Bank & Trust Co., Memphis, Tennessee, reading as follows:

"This will acknowledge your letter of January 25, 1944, in which you recommend that Regulation W be amended to exempt from its scope the financing of home repairs and maintenance. We note that you do not speak of home 'improvement' credit and assume you do not have in mind the exemption of such credit, although we have always understood there was some difficulty in differentiating between maintenance and 'improvement'."
"The argument which you advance for this relaxation is that essential maintenance is being somewhat neglected and that maturities of thirty-six months, which would be available in the absence of restriction, are necessary in order to avoid this neglect."

"We have always been mindful of the desirability of encouraging home owners to keep their properties in good condition, but we have also been conscious of the fact that other considerations in time of war make it impossible in the national interest to permit unrestricted use of credit for such purposes. As you know, Regulation W was put into its present form in May 1942 to implement part of the President's 7-point anti-inflation program which stressed the need to 'discourage credit and instalment buying'. It applies to all the principal forms of consumer credit and its main purpose is to restrain the addition of credit dollars to a volume of spending power in the hands of the consuming public that is already excessive in comparison with the limited supplies of consumers' goods of all kinds that are available. In this connection, it should be mentioned that an extension of credit adds to the funds available to the public as a whole to purchase goods of all kinds, no matter what the purpose of the particular credit."

"In addition it has been our belief that exceptions to the application of restraint must be based on considerations of particular importance to the war effort and that 'necessity' must be measured by wartime standards. In many fields replacement and maintenance have had to be postponed and in other respects the public has had to get along with less than it had in peacetime. Yet with maturities for credit of thirty-six months available, it would appear that, at existing income levels, even more demand for repairs and improvements would be generated than in peacetime."

"It is difficult to see how any substantial relaxation in this field can be reconciled with the present national policy of 'holding the line' against inflation. Nevertheless, we recognize the possibility that there may be cases in which the present terms of the regulation create real hardship even as tested by wartime standards, although the actual instances brought to our attention have been almost non-existent. What we need is help in isolating the types of cases that justify some special treatment and help in devising a plan to take care of them without opening the door to many cases that do not merit special treatment."
"You will understand that the various aspects of the question you raise are under continuing study, as they have been since the regulation was first adopted, and we are glad to consider carefully any suggestions that may be brought to our attention."

Approved unanimously, together with a similar letter to Mr. W. M. Harlan, Jr., Vice President of the Manchester Bank of St. Louis, Saint Louis, Missouri, in reply to his letter of January 28, 1944.

Memorandum dated January 27, 1944, from Mr. Szymczak to which was attached a memorandum of the same date from Mr. Paulger, Chief of the Division of Examinations, referring to the instructions issued by the Board on April 12, 1933, to all Federal Reserve Banks to take special care to see that the Government bond subscriptions by directors, officers, and employees of the Federal Reserve Banks were handled in strict accordance with Treasury instructions and that the directors, officers, and employees did not receive more favorable treatment than that accorded others of the same class, and to the fact that until recently, as the result of large indirect subscriptions to Government bonds through a commercial bank by one of the directors of the Federal Reserve Bank of Chicago, subscriptions through commercial banks had also been reviewed, as in the case of direct subscriptions, by the special officer of the Federal Reserve Bank charged with that responsibility and, after analysis by the auditor, a full report had been submitted to the board of directors. Mr. Paulger's memorandum stated that lately the volume of subscriptions to Government securities passing through the Federal
Reserve Banks had grown so large that it was next to impossible with
the staff available to review and report on all indirect subscriptions;
that one Chairman of a Federal Reserve Bank had voiced objection to
having the auditor report to the board of directors on indirect sub-
scriptions; and that, inasmuch as most of the difficulties arising so
far had come from issues involving allotments, it would seem in the
circumstances that the problem could be fairly well met if the Federal
Reserve Banks continued the review and report on direct subscriptions
but on indirect subscriptions checked only those where allotments were
involved. The memorandum also suggested that it would be understood
that the reports of the auditors to the directors could be limited to
cases in which there was an apparent violation of the principles set
forth in the Board's letter of April 12, 1933. Mr. Szymczak's memo-
randum stated that Mr. Paulger's memorandum was being circulated so
that, if any member of the Board had a different point of view or any
other suggestions, the subject could be considered further by the Board.

The procedure proposed by Mr. Paulger
was approved unanimously.

Chairman.