A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, February 15, 1944, at 10:30 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
Mr. Dreibelbis, General Attorney

There was a further discussion of the desirability of meetings of the Presidents' Conference being held outside Washington, and it was decided that this was a matter that might well be discussed with the Presidents while they are here at the end of this month.

Mr. McKee referred to the decision reached at the meeting of the Board on November 24, 1943, that in engaging the necessary temporary staff for the studies being made for the State Department the Board should adhere to a policy of employing citizens of the United States whenever possible but that, if qualified citizens could not be found and noncitizens with the required ability, training, and experience to do the work were available, they might be employed on condition in each case (1) that the Federal Bureau of Investigation report were satisfactory and (2) that satisfactory evidence of a bona fide intention to become a citizen of the United States were present. He also referred to the action taken on February 2, 1944, in approving the temporary

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appointment of Alexander Gerschenkron as an economic specialist in the Division of Research and Statistics without a report from the Federal Bureau of Investigation, the Bureau having informed Mr. Leonard, Director of the Division of Personnel Administration, that because of the manpower shortage it was unable to continue to make such investigations but that the Board would be furnished a report of such information as might be in the files of the Bureau with respect to Mr. Gerschenkron. A letter received from the Director of the Bureau under date of January 14, 1944, stated that the Bureau's files failed to reflect any information of a pertinent nature concerning Mr. Gerschenkron. Mr. McKee said that in these circumstances he felt the Board should reconsider the position taken by it on November 24, 1943, and make such change therein as appeared to be required.

> The matter was discussed and it was understood that whenever the question of the employment of an alien arose the Division of Personnel Administration, in addition to making the customary investigation with respect to the prospective employee, would obtain such information as might be available from the Federal Bureau of Investigation, and that when this information was received a recommendation would be made to the Board by the Personnel Committee in the light of all the information available.

Before this meeting the attention of the members of the Board had been called to a reply made by Chairman Eccles under date of January 28, 1944, to a letter addressed to him on January 19, 1944, by the National Association of Better Business Bureaus, Inc., outlining an

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educational program being considered by the Association to prevent the defrauding of the holders of war savings bonds. Chairman Eccles' letter stated that it might be that the Federal Reserve System could be of considerable assistance through the Federal Reserve Banks in carrying the program forward so far as the commercial banks of the country were concerned, and Chairman Eccles had proposed that this suggestion be discussed by the Board prior to the next meeting of the Presidents of the Federal Reserve Banks in Washington.

At this meeting Chairman Eccles stated that he thought the program was a very constructive one and was of interest to the Board not only as a means of preventing the defrauding of bondholders but as a means of preventing an unjustified acceleration of the redemption of war savings bonds which might tend in the direction of instability in the Government security market at a time when there would be large redemptions of savings bonds for legitimate purposes.

Mr. McKee asked why the American Bankers Association might not undertake such a project, and Chairman Eccles said that that could very well be done, that any program that the System might undertake as a public institution could be addressed not only to banks but to chambers of commerce, merchants' associations, and other similar organizations, and that while such a program would cost the System some money it was felt that it would be justified because of the System's special interest in the problem.

There was unanimous agreement that
this was an item that should be discussed

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with the Presidents of the Federal Reserve Banks.

Mr. McKee suggested that the Board include in the annual report a statement with respect to the present bank holding company situation and the need for legislation conferring additional supervisory powers on the Board. This suggestion was discussed but no decision was reached.

It was agreed that in accordance with the usual order of rotation Messrs. McKee and Draper should be nominated to serve with Chairman Eccles as members of the executive committee of the Federal Open Market Committee for the year beginning March 1, 1944, and that Messrs. Szymczak, Evans, and Ransom should be nominated to serve as alternates in the order named except that, as previously suggested, in the absence of Chairman Eccles Mr. Ransom would be the first alternate.

By unanimous vote, Messrs. Ransom and Evans were appointed as members of the Board's Personnel Committee for the year commencing March 1, 1944.

Mr. McKee stated that he would like to have it recorded in the minutes of the Board that in a letter dated January 14, 1944, addressed to Chairman Eccles, he resigned as a member of the War Loans Committee.

At this point Mr. Dreibelbis 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 February 14, 1944, were approved unanimously.

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The minutes of the meeting of the Board of Governors of the Federal Reserve System with the Federal Advisory Council held on February 14, 1944, were approved unanimously.

Memorandum dated February 12, 1944, from Mr. Morrill recommending that the following increases in basic annual salaries of employees in the Secretary's Office be approved, effective February 16, 1944:

Name	Designation	Salary Increase From	Salary Increase To
Secretarial and Administrative			
Donald Hurst	Clerk	$1,440	$1,620
Service Functions			
Nelson S. Dyson	Operator (Duplicating Devices)	1,740	1,800
Mary A. Deuterman	Clerk	1,680	1,800
Dorothy A. Erickson	Clerk	1,560	1,680
Bricen Barnes	Junior Mail Clerk	1,200	1,320

Approved unanimously.

Letter to Mr. Rice, Vice President of the Federal Reserve Bank of New York, reading as follows:

> "The Board of Governors approves the changes in the personnel classification plan of the Federal Reserve Bank of New York and the Buffalo Branch as submitted with your letter of January 7, 1944, and supported by the certificates enclosed with Mr. Rounds' letter of January 15, 1944, including the revisions submitted by Mr. Douglas with his letter of February 3, 1944."

Approved unanimously, together with a letter to the Joint Committee on Salaries and Wages transmitting the original and four copies of two certificates of

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the Federal Reserve Bank of New York with respect to increases in the maximum annual salaries for 18 positions approved by the Board in the above letter.

Letter to Mr. Paddock, President of the Federal Reserve Bank of Boston, reading as follows:

"Reference is made to your letter of February 4, 1944, submitting the request of the Industrial Trust Company, Providence, Rhode Island, for approval of an additional investment in bank premises, estimated at $650,000, to provide for the purchase of property adjacent to its head office building and the erection, as soon as construction is permitted without priorities, of a building to provide drive-in banking facilities, garage and parking space for its customers.

"It is understood that the trust company proposes to reduce the carrying value of the proposed additional investment by application of a liquidating dividend from the Mechanics National Bank in the amount of $133,340 which it expects to receive in May 1944, and the proceeds of sale of a property from which it expects to realize $200,000, and, in any event, will write off the entire amount of the additional investment within five years.

"In the circumstances and in view of your recommendation, the Board approves the investment of an additional $650,000 in banking premises by the Industrial Trust Company for the purposes and in substantial accord with the plan outlined in its letter to you of February 3, 1944."

Approved unanimously.

Letter to the Secretary of State, reading as follows:

"The Board of Governors is advised that under date of February 7, 1944 you received a cablegram from Ankara, signed Steinhardt, as follows:

'The Central Bank of Turkey has been informed that suit has been brought against the Chase National Bank by the United States Attorney General for having rendered aid to the Axis. The bank states that since the Chase National Bank is one of its principal correspondents in the United States and since it is particularly

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"'anxious that the financial institutions with which it has relations in the United States enjoy the complete confidence of the American financial authorities, it would appreciate receiving for its guidance the views of the Federal Reserve authorities with regard to the position of the Chase National Bank as a result of the charges made against it.'

After consulting with the Treasury Department and the Federal Reserve Bank of New York, it is suggested that you transmit the following message from the Board of Governors of the Federal Reserve System, Washington, D. C. and the Federal Reserve Bank of New York to the Central Bank of Turkey in response to the inquiry:

'Suit against Chase National Bank does not in any way affect the Bank's credit standing and should not impair the complete confidence which it has enjoyed in the past of the financial institutions and authorities in the United States and abroad. It is therefore believed that there is no reason for the Central Bank of Turkey to feel concerned about its relations with the Chase National Bank.

'The Board of Governors has consulted the United States Treasury Department since the charges against the Chase National Bank arose out of an investigation made by that Department. The Treasury has requested the Board of Governors to assure the Central Bank of Turkey that the Treasury knows of no reason why the Central Bank of Turkey should modify or change its relations with the Chase National Bank in any respect as a result of the charges pending against such bank.'

Approved unanimously.

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

"Consideration is being given to a draft of proposed Amendment No. 11 to Regulation W to deal with a considerable number of technical points affecting either vendors or lenders or both. The text of the draft is enclosed, together with a summary of the proposed changes.

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"Such an amendment would be neither intended nor expected to have any material effect in the way of stimulating or retarding either the expansion or the contraction of consumer credit. Its purpose would be to improve the practical workings of the regulation. It would simplify the regulation in numerous matters of operating detail and consequently lighten work and save time and bother in the credit departments of retail stores and at the application desks of money lenders.

"It will be noted that none of the changes is in the direction of making requirements more restrictive.

"The Federal Reserve Banks are requested to make comments and suggestions on the proposed changes, and it would be appreciated if these were to reach the Board not later than Saturday, February 26.

"In view of the character of the proposed changes, together with the fact that all of them have been already discussed at one time or another with representatives of Registrants or trade associations, it is not intended that the changes be submitted to the trade for comment, but you are at liberty to consult anyone in the trade, on a confidential basis, for the purpose of developing your own comment. At the present stage, neither the draft language nor the substance is authorized for publication."

Approved unanimously, together with the following letter to Honorable Henry Morgenthau, Jr., Secretary of the Treasury, similar letters also being addressed to Honorable Jesse H. Jones, Secretary of Commerce, and Mr. Chester Bowles, Administrator of the Office of Price Administration:

"For your information you will find attached a copy of the draft of proposed Amendment No. 11 to Regulation W of the Board of Governors relating to consumer credit.

"Such an amendment would be neither intended nor expected to have any material effect in the way of stimulating or retarding either the expansion or the contraction of consumer credit. Its purpose would be to improve the practical workings of the regulation. It would simplify the regulation in numerous matters of operating detail and consequently lighten work and save time and bother in the credit departments of retail stores and at the application desks of money lenders.

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"It will be noted that none of the changes is in the direction of making requirements more restrictive.

"The Board of Governors will be glad to receive from you, in your capacity as a member of the Consultative Committee created by the President's Executive Order under which the regulation was adopted, any advice or suggestions regarding these proposals which you may consider appropriate. It will be appreciated if your comments can reach the Board by February 26. You will understand that at this stage the Board would like to have the matter kept confidential.

"A copy of this letter and the enclosure is being sent under separate cover to Under Secretary Bell."

Thereupon the meeting adjourned.

Chester Morrill
Secretary.

Approved: M S Eccles
Chairman.

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