A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, March 9, 1944, at 2:30 p.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. Thurston, Special Assistant to the Chairman
Mr. Goldenweiser, Director of the Division of Research and Statistics
Mr. Smead, Director of the Division of Bank Operations
Mr. Paulger, Director of the Division of Examinations
Mr. Parry, Director of the Division of Security Loans
Mr. Vest, Assistant General Attorney
Mr. Pollard, Assistant Director of the Division of Examinations
Mr. Wyatt, General Counsel

Mr. Evans referred to the discussions at the meetings of the Board on February 11 and 22, 1944, regarding the establishment of an advisory committee on research and to the following agreement reached at the meeting of the Board with the Presidents of the Federal Reserve Banks on February 29, 1944:

"(a) That the functions of the Executive Committee of the Presidents' Conference Subcommittee on Research and Statistics would be broadened to include serving as members of the System Advisory Research Committee;

"(b) That the Director of the Division of Research and Statistics of the Board of Governors is to serve as
"Chairman of this System Advisory Committee and a representative of the Reserve Banks is to serve as Vice Chairman of this Committee;

"(c) That in performing its advisory duties in matters of research, this Committee shall act for the Federal Reserve System as a whole;

"(d) That the Subcommittee on Research and Statistics of the Presidents' Conference and its Executive Committee would continue to function in that capacity as at present, under the Presidents' Committee on Research and Statistics; and

"(e) That provision would be made for rotation of membership on the System Advisory Committee and that its officers be selected annually.

"Mr. Williams, as Chairman of the Presidents' Conference Committee on Research and Statistics, and Mr. Goldenweiser were authorized to proceed with the organization of the System Advisory Research Committee."

Mr. Evans also said that, subsequent to the meeting with the Presidents, Messrs. Williams and Goldenweiser had agreed upon the following order of rotation of the Federal Reserve Bank members of the committee for the four-year period ending in 1947:

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Upon motion by Mr. Evans, the new committee and proposed order of rotation were approved unanimously.

Attention was then directed to the recommendation which had been prepared by a committee composed of Mr. Goldenweiser and the heads of the research departments of six of the Federal Reserve Banks relating to future policy regarding publications, speeches, and participation in outside activities by System research personnel. The
recommendation was approved by the Board of Governors at its meeting on February 11, 1944, subject to the condition that an arrangement be worked out with the Presidents which would be satisfactory to the Board with respect to the direction of the System's research activities. The recommendation had also been approved by the Presidents' Conference, and at this meeting consideration was given to the manner in which the Banks should be advised of the Board's approval.

A question was raised whether the arrangement outlined in the recommendation with respect to publications, speeches, and outside activities should not be applied to all officers and employees of the Federal Reserve Banks in the interest of uniformity, and Mr. McKee inquired whether, if that were done, it would mean that the Presidents of the Banks would have the responsibility of reviewing all speeches and articles by officers and employees of their respective Banks. It was stated that this would not be the case but that the President of each Federal Reserve Bank would have the responsibility of establishing a plan by which his obligation would be met.

There was agreement on the part of all of the members present that the procedure proposed in the recommendation, in so far as it related to speeches, articles, and outside activities, should be applied to all officers and employees of the Federal Reserve Banks, and Mr. Morrill was requested to draft and submit to the Board for approval a letter to the Presidents of the Federal Reserve Banks advising them accordingly.

Mr. Evans moved that the recommendation submitted by him at the meeting on February 22, 1944, with respect to supervision of the
contents of the Federal Reserve Bulletin, be approved.

This motion was put by the chair and carried, Messrs. Szymczak and McKee voting "no".

At this point Mr. Goldenweiser withdrew from the meeting and Mr. Thomas, Assistant Director of the Division of Research and Statistics, entered the room.

Before this meeting there had been prepared and circulated among the members of the Board a draft of reply to a request received from the clerk of the Banking and Currency Committee of the House of Representatives for a report on H. R. 1818, a bill which would authorize national banks to deduct from their Federal Deposit Insurance Corporation assessments the cost of the last examination made by the Office of the Comptroller of the Currency in the preceding calendar year. The draft was discussed in the light of the lack of uniformity in Federal and State laws relating to the examination of banks and how this situation might effectively be dealt with.

At the conclusion of the discussion, it was agreed that the draft should be revised and resubmitted to the Board for further consideration.

Mr. Evans referred to the discussion at the meeting with the Presidents on March 1, 1944, and suggested that the Board approve the recommendation made by a special committee, consisting of Mr. Thomas, of the Board's staff, Mr. Roelse, Assistant Vice President of the Federal Reserve Bank of New York, and Mr. Upgren, Vice President of the Federal Reserve Bank of Minneapolis, that the System, in cooperation
with the Robert Morris Associates, undertake the studies as outlined in the recommendation of the prospective financing needs of medium-sized manufacturing and trade companies.

In the discussion of the recommendation, Mr. Thomas stated that the proposal would be a part of the program that had been outlined to obtain information on the financial needs of industry and that the information would be obtained from statements already in the files of members of the Robert Morris Associates and the Federal Reserve Banks and would not require the collection of any additional information.

Upon motion by Mr. Evans, the study and cooperation with the Robert Morris Associates in that connection were approved unanimously.

Reference was also made to the action taken by the Presidents' Conference in approving the suggestion of its research committee that a System study be made of (1) present Treasury and Federal Reserve policies that have a bearing on bank deposits and investments, of the investment policies that banks are now following, and of the results that may be expected from a continuation of present policies and trends, and (2) various policies that may be followed by the System and the Treasury in the postwar period, together with a determination of the bank and investment policies that will be appropriate in order to implement these policies.

Mr. Thomas stated that the proposed study would be a continuation on a System basis of work that had been and should be done to make available to the Board and the Banks a comprehensive analysis of information already available.
Mr. McKee expressed the opinion that, if the study were made and published, care should be taken to see that it did not suggest to banks or a group of banks what their future investment policies should be.

Upon motion by Mr. Evans, the proposed study was referred to the new System Advisory Research Committee, with the understanding that the results thereof would be presented to the Board for consideration before they were published.

At this point Mr. Leonard, Director of the Division of Personnel Administration, joined the meeting and Mr. Thomas withdrew.

Messrs. Szymczak and Leonard reviewed briefly the conversations which had taken place over the telephone with Mr. Leedy, President of the Federal Reserve Bank of Kansas City, Mr. Hays, First Vice President of the Federal Reserve Bank of Cleveland, and Mr. Sienkiewicz, Secretary of the Presidents' Conference, since the last meeting of the Conference in connection with the discussion of the manpower problem of member banks at the joint meeting of the Board and the Presidents on March 1, and Mr. Szymczak stated that, pending the receipt of further information from Mr. Leedy and consideration of the matter with representatives of the American Bankers Association, no action should be taken by the Board on the matter. He also said that after all the necessary information was available he would bring the matter up again for such action as the Board might wish to take.

There was a further discussion of the suggestion made at the joint meeting of the Board with the Presidents that the preferential discount rate of 1/2 per cent on advances secured by Government obligations maturing or callable in one year or less be extended to
such advances by Federal Reserve Banks to nonmember banks, and it was agreed that no action was called for by the Board at this time. However, Mr. Szymczak stated that the action taken in 1939 authorizing advances to nonmember banks on Government securities at par at rates prevailing for member banks was for the purpose of lending stability to the Government security market, whereas the preferential rate of 1/2 per cent established in 1942 on advances to member banks secured by direct obligations of the United States was regarded as a means of encouraging member banks to invest more of their excess reserves in short-term Government securities. Since some of the Federal Reserve Banks continued to feel that nonmember banks should be permitted to borrow on Government securities at the same rate as member banks, it was his opinion that the question of a uniform rate for member and nonmember banks would be raised again by such banks and that the Board should be prepared to act on it.

At this point Messrs. Thurston, Smead, Paulger, Parry, Leonard, Vest, Pollard, and Wyatt 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 March 8, 1944, were approved unanimously.

The minutes of the meeting of the Board of Governors with the executive committee of the Federal Advisory Council held on March 8, 1944, were approved unanimously.
Memorandum dated March 8, 1944, from Mr. Morrill, recommending that Mrs. Anna Kosunen be appointed as a charwoman in the Secretary's Office on a temporary basis for a period of not to exceed 60 days, with basic salary at the rate of $1,200 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed satisfactorily the usual physical examination. The memorandum stated that if during the 60-day period her services proved satisfactory she would be recommended for permanent appointment.

Approved unanimously.

Memorandum dated March 8, 1944, from Mr. Morrill, recommending that the temporary appointment of Mrs. Blanche I. Broadhurst as a cafeteria helper in the Secretary's Office be extended for an indefinite period, effective at the expiration of her present temporary appointment on March 14, 1944, with no change in her present salary at the rate of 57 cents per hour plus 8-1/2 cents per hour for overtime, and with the understanding that she would be made a member of the retirement system.

Approved unanimously.

Memorandum dated March 6, 1944, from Mr. Goldenweiser, Director of the Division of Research and Statistics, submitting a request from Mr. Waldron, Assistant to the Chairman of the National War Labor Board, that the Board of Governors lend the services of Mr. Everett E. Hagen, Associate Economist in the Division of Research and Statistics, for a period of six weeks for work in connection with the analysis of the
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Cost of living index of the Bureau of Labor Statistics, it being understood that Mr. Hagen would remain on the Board's pay roll during the period that he was engaged on the special work. The memorandum recommended that, for the reasons set forth therein, Mr. Hagen be loaned for the purpose stated for a period of not to exceed six weeks.

Approved unanimously.

Memorandum dated February 28, 1944, from the War Loans Committee submitting the following revised organization chart for that Committee for approval by the Board:

Approved unanimously.
Memorandum dated March 6, 1944, from the Personnel Committee stating that Frank Baker, to whom the Board had tendered an appointment as director of the Birmingham Branch of the Federal Reserve Bank of Atlanta, had declined to accept the appointment, submitting the name of Will Howard Smith, a farmer of Prattville, Alabama, as a director of the Birmingham Branch for the unexpired portion of the term ending December 31, 1945, and recommending (1) that the Chairman of the Federal Reserve Bank of Atlanta be requested to ascertain informally whether Mr. Smith would accept appointment and (2) that the appointment be tendered if he would accept.

Approved unanimously.

Letter to Mr. Turman, Secretary pro tem of the Federal Reserve Bank of Atlanta, reading as follows:

"The Board of Governors approves the appointment of Messrs. W. W. French, A. M. Lockett, I. C. Milner, John E. Sanford, and George Winship as members of the Industrial Advisory Committee for the Sixth Federal Reserve District to serve for terms of one year each, beginning March 1, 1944, in accordance with the action taken by the Board of Directors of the Federal Reserve Bank of Atlanta, as reported in your letter of March 3, 1944."

Approved unanimously.

Letter to Mr. Woolley, Vice President and Cashier of the Federal Reserve Bank of Kansas City, reading as follows:

"Reference is made to your letter of February 29, 1944, inquiring whether copies of reports of examination
"of State member banks sent to the branches of your Bank might be destroyed on the same basis as that outlined in the Board's letter of November 3, 1942, with respect to the destruction of extra copies of reports of examination of national banks.

"As indicated with respect to national bank reports, it will be agreeable to the Board to have all copies of reports of examination of State member banks sent to branches destroyed in accordance with such schedule as the Head Office may prescribe, provided a copy of the report is retained in the files of the Head Office."

Approved unanimously.

Thereupon the meeting adjourned.

[Signature]  
Chairman.

[Signature]  
Secretary.