

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, April 3, 1944, at 11:00 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 April 1, 1944, were approved unanimously.

Memorandum dated March 31, 1944, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that Miss Ruth Jean Halvorsen be appointed as a clerk in that Division on a temporary basis for an indefinite period, with basic salary at the rate of \$1,620 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 and subject to a satisfactory check of her references.

Approved unanimously.

Memorandum dated March 30, 1944, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that

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Mrs. Winofred Racz be reappointed as a clerk in that Division, with basic salary at the rate of \$1,560 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.

Approved unanimously.

Letter to Mr. John A. Davis, Director of Review and Analysis, President's Committee on Fair Employment Practice of the Office for Emergency Management, reading as follows:

"In compliance with the request contained in your Committee's letters of August 22, 1942, and October 21, 1943, for reports every four months as to data on Negro employment, enclosed herewith is a report as of March 31, 1944, for the Board of Governors of the Federal Reserve System.

"As the Committee has been advised previously, the Board employees are not under the classified civil service, and accordingly, in the enclosed report all employees are shown as unclassified.

"On the basis of Civil Service classification the 32 negro employees would probably be classified as follows:

CPC-2 . . .	5
CPC-3 . . .	18
CPC-4 . . .	2
CAF-1 . . .	3
CAF-2 . . .	3
CAF-3 . . .	1"

Approved unanimously.

Letter to Mr. Brainard, Chairman of the Federal Reserve Bank of Cleveland, reading as follows:

"In accordance with the request contained in your letter of March 27, the Board will defer from April to June of this year the annual consideration of salaries of the officers of the Federal Reserve Bank, with the

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"understanding that any adjustments made will become effective July 1, 1944 instead of May 1.

"The Board's approval for the payment of salaries of the officers of your Bank extends through the period ending April 30, 1944. In view of the circumstances, the Board extends its approval for the payment of such salaries and retainer fee to counsel at the present rates through the period ending June 30, 1944."

Approved unanimously.

Letter to the Federal Deposit Insurance Corporation, reading as follows:

"Pursuant to the provisions of Section 12B of the Federal Reserve Act, as amended, the Board of Governors of the Federal Reserve System hereby certifies that The Industrial State Bank of Houston, Texas, Houston, Texas, became a member of the Federal Reserve System on April 1, 1944, and is now a member of the System. The Board of Governors of the Federal Reserve System further hereby certifies that, in connection with the admission of such bank to membership in the Federal Reserve System, consideration was given to the following factors enumerated in subsection (g) of section 12B of the Federal Reserve Act:

1. The financial history and condition of the bank,
2. The adequacy of its capital structure,
3. Its future earnings prospects,
4. The general character of its management,
5. The convenience and needs of the community to be served by the bank, and
6. Whether or not its corporate powers are consistent with the purposes of section 12B of the Federal Reserve Act."

Approved unanimously.

Telegram to Mr. McLarin, President of the Federal Reserve Bank of Atlanta, reading as follows:

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"Your wire of Friday morning has been brought to the attention of the Board of Governors. It is understood from your wire and from subsequent conversations with you that you were advised that certain examiners of the FDIC recently visited the Citizens Bank and Trust Company, Bainbridge, Georgia, a State bank which is a member of the Federal Reserve System, presented credentials as such examiners, and examined records of the bank. As you know, under Section 12B of the Federal Reserve Act examiners of the FDIC are not authorized to examine State member banks without the written consent of the Board of Governors, and under Section 21 of the Federal Reserve Act no bank is subject to any visitorial powers except as authorized by law. The Board of Governors has received no request for its consent to any examination of the Citizens Bank and Trust Company, Bainbridge, Georgia, by examiners of the FDIC and has not given any such consent. In view of the circumstances, it is suggested that you address to the supervising examiner of the FDIC at Atlanta, Georgia, who, it is understood, has regional jurisdiction over the examiners referred to, a letter stating the foregoing information, and requesting him to advise you under what authority or instructions the examiners mentioned visited the Citizens Bank and Trust Company, Bainbridge, Georgia.

"Please advise the Board as soon as you learn the results of your inquiry."

Approved unanimously, together with
a letter to Honorable Leo T. Crowley,
Chairman of the Federal Deposit Insurance
Corporation, quoting the above telegram.

Telegram to Mr. Bryan, First Vice President of the Federal Reserve
Bank of Atlanta, reading as follows:

"Upon receipt of your wire this date quoting proposed draft of letter to Roberts, it was reviewed by Messrs. Ransom and McKee. They have no suggestions to make as to the first and second paragraphs and as to the first sentence of the third paragraph but they would suggest that the remainder be left out beginning with the words 'I particularly ask' and ending with the words 'for what purpose'

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"just preceding 'Sincerely yours'. In other words the first two paragraphs and the first sentence of the third paragraph would be complete without the remainder of the letter. The changes suggested in your second wire of this date of course would be satisfactory. Will appreciate your wiring me full copy of letter in form in which you finally send it."

Approved unanimously.

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

"This refers to your letter of March 14, 1944, regarding the applicability of Regulation W to the premium plan of merchandising used by the Jewel Tea Company and other house-to-house canvasser grocery sales companies, including Cook Coffee Company, concerning which additional information has been furnished to the Board by the Federal Reserve Bank of Philadelphia.

"Briefly, the plan consists in the delivery of an article such as a coffee percolator to the customer as a 'premium' to be 'traded out' by crediting the customer with a certain amount on account of each delivery of coffee or other merchandise purchased by her.

"The Jewel Tea Company assigns a value to the premium, and the printed contract form provides that if the customer does not pay for the premium through 'profit sharing credits' allowed her on purchases made from the company, she will pay the balance in cash.

"In form there is therefore an extension of credit and a sale of the article constituting the premium for a sum which is paid in a number of small instalments consisting of a part of each of the payments made for tea or other merchandise purchased from time to time by the customer; and your counsel, although agreeing that the question is not free from doubt, feels that technically there is an 'instalment sale' subject to the Regulation.

"The information which has been furnished regarding the other companies indicates that, although they assign a cash value to the premium, they do so merely in order to 'keep their salesmen straight', because otherwise they would not be able to tell from their records when the customer had traded out her old premium and was entitled

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"to a new one. These companies practically never repossess a premium, because it is a used household item which has no value on the market, and because repossessing it would create bad feeling on the part of the customer. Consequently, it is the usual practice to write off the value of the premium as an expense at the time it is delivered. The cost of the premium is regarded as an advertising cost. The National Retail Tea and Coffee Merchants Association, in its letter of March 11, 1944, a copy of which you enclosed, says that a great majority of the members of the association do not place a cash value or any redemption value on the premiums, and do not permit salesmen to collect any cash on account of them.

"Considering all of the above information, it seems reasonable to conclude, as you and the Federal Reserve Bank of Philadelphia have done, that if the transaction is carried out by these companies as described, it is not within the purview of the Regulation, since the seller (without so informing the customer) gives the article to her as an advertisement, intending not to repossess it or require her to pay cash for it if she does not 'trade it out' by buying merchandise from the seller.

"It is not clear from the information which has been furnished whether the Jewel Tea Company customarily repossesses the premium or requires the customer to pay cash if she does not trade it out. If it follows the practice of the other companies in this regard, it would be reasonable to conclude that the contract form which it uses is designed merely to carry out the purpose for which the premium is delivered to the customer, namely, to induce her to continue to trade with the company by making her feel she is under an obligation to do so, and that there is in fact no extension of credit."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Mowles

Secretary.

Approved:

W. S. ...

Chairman.