

A meeting of the Board of Governors of the Federal Reserve System with members of the executive committee of the Federal Advisory Council was held in Washington on Wednesday, April 5, 1944, at 12:10 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. Clayton, Assistant to the Chairman
Mr. Thurston, Special Assistant to the Chairman
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. Leonard, Director of the Division of Personnel Administration
Mr. Vest, Assistant General Attorney
Mr. Berntson, Clerk in the Office of the Secretary

Messrs. Brown, Spencer, Kurtz, Huntington (latter part of meeting), and Fleming, members of the executive committee of the Federal Advisory Council

Mr. Lichtenstein, Secretary of the Federal Advisory Council

Mr. Brown stated that the executive committee of the Federal Advisory Council was much concerned about the effect on bank staffs, which now were made up largely of men with a selective service classification of IV-F and women, of current discussions and proposed

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legislation which would require that men classified as IV-F get into essential work. He said it was their understanding that industries were being grouped in three classifications, with critical war industries in the "A" classification, essential industries in the "B" classification, and all other industries, including banks, in the "C" classification, that the banks were not asking for the deferment of their employees from military service and did not expect to be included in the "A" classification, but that they did feel they should be classified as a "B" or essential industry so that they would not be faced with the possibility of their men being taken by industries which were classified as essential and which, if the proposed legislation were enacted, would be able to take IV-F employees from banks.

Chairman Eccles pointed out that banks had been classified as essential in some areas which had been designated as areas with labor shortages, and Mr. Fleming suggested that, in view of their war work, all banks in the United States should be classified by the War Manpower Commission as essential and that the decision should not be left to local manpower authorities.

Mr. McKee suggested that the executive committee prepare, and submit to the Board for transmission to the proper authorities, a statement of the reasons of the Federal Advisory Council for a request that banks be classified as essential. The members of the executive

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committee were in full agreement with this suggestion and felt that such a statement would be more effective if transmitted by the Board of Governors as a bank supervisory agency than by the Federal Advisory Council.

At this point Mr. Thurston withdrew from the meeting.

Mr. Fleming read from a memorandum prepared by the legal staff of the American Bankers Association with respect to procedure for the classification of industries into "critical", "essential", and "all other" groups. It was pointed out that if banks were classified as essential they could still lose employees to industries in the critical classification, but it was felt that, since employees in industries in the latter group were largely in the mechanical trades for which bank employees would not be particularly fitted, this might not be a serious problem.

Chairman Eccles suggested that the Federal Advisory Council base its request for the classification of banks as essential on the services being rendered by them in connection with war bond sales, the cashing of Government checks, ration banking, and the financing of war industries, and stated that, while generally a good case might be made for such a request, it would be difficult to establish that all banks should be so classified.

At this point Messrs. Paulger and Kurtz withdrew from the meeting.

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At the conclusion of the discussion, Mr. Brown stated that the executive committee would confer with Mr. Leonard and would meet after luncheon to prepare the suggested statement. It was agreed that following receipt of the statement the Board would endeavor to obtain letters from the Treasury and the Federal Deposit Insurance Corporation supporting the request of the Council and the Board that banks be classified as essential industry. Mr. Fleming stated that representatives of the Council would also discuss the matter with the Treasury and the Federal Deposit Insurance Corporation.

At this point Mr. Huntington joined the meeting.

Mr. Brown stated that the members of the executive committee were interested in knowing whether there were any further developments of interest in connection with the Brown-Maybank bill and the proposed Senate committee hearings on the bill.

Mr. Ransom responded that, while the hearings might begin late in April, no decision had yet been reached and it was entirely possible that they would be deferred to a later date because of other important matters before the Senate Banking and Currency Committee. He also said that it was not yet decided whether the hearings would be held before the full committee or a subcommittee.

A brief discussion of the attitude toward the bill in sections of the country represented by the respective members of the executive committee of the Federal Advisory Council indicated that a majority

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of the bankers and other interested persons were opposed to the bill.

Thereupon the meeting adjourned.

Chester Morrie
Secretary.

Approved:



Chairman.