

4/21/44 A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, April 21, 1944, at 10:30 a.m.

PRESENT: Mr. Eccles, 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. Goldenweiser, Director of the Division of Research and Statistics  
Mr. Leonard, Director of the Division of Personnel Administration  
Mr. Vest, Assistant General Attorney  
Mr. Wyatt, General Counsel

Mr. McKee stated that in accordance with the understanding reached at the meeting of the Board on April 14, 1944, he discussed with the Executive Committee of the National Association of Supervisors of State Banks the revised draft of statement prepared for the annual report for the year 1943 with respect to banks furnishing information to large depositors regarding the condition of the banks, and that subsequently it was agreed informally by the members of the Board that the statement should not be included in the annual report but that an article on the subject should be published in the Federal Reserve Bulletin.

The other members of the Board indicated that they had no further changes to suggest in the draft of the annual report for the

4/21/44

-2-

year 1943, and all of the members were in agreement that the printing of the report should be completed as quickly as possible.

The report was approved by unanimous vote, with the understanding that every effort would be made to expedite the printing so that it could be submitted to the Speaker of the House of Representatives and the President of the Senate at the earliest possible date.

Mr. Goldenweiser stated that just before coming into the meeting he had received an informal inquiry from Harry White, Director of Monetary Research of the Treasury, as to whether Chairman Eccles would be willing to issue the following statement to the press for release on the afternoon of Saturday, April 22, 1943:

"The progress made to date by the technical experts of the United and Associated Nations in the field of post-war international monetary cooperation and investment is most encouraging. It is a concrete illustration of the determination of these nations that the tasks of establishing post-war reconstruction and prosperity be approached on the level of international cooperation.

"The technical experts of the Board of Governors have participated fully with the Treasury and other American experts in these discussions with the experts of other countries. The present unanimity among the experts of the countries at the technical level amply justifies the time and effort expended by the experts during these past two years."

In the discussion which ensued, there was agreement that a statement by Chairman Eccles or by the Board along the lines referred to above would commit the Board to some extent to the statement of

4/21/44

-3-

principles, and that, as long as policy-making officials of the various governments involved were not committed, the Board should not be asked to commit itself.

Chairman Eccles stated that yesterday he discussed the proposed stabilization fund at length with Mr. Sproul, President of the Federal Reserve Bank of New York, and informed him of the discussion which took place at the Treasury on Tuesday, April 18. He said he expressed the opinion to Mr. Sproul that so far as the Board was concerned the plan itself was not as important as the decisions that would be made with respect to the purchase of gold by the United States and the steps that would be taken to offset the effect of gold imports on the monetary situation in this country, and that Mr. Sproul was in full agreement with that position.

In the course of the discussion, reference was made to a cable received by the Treasury from the British Chancellor of the Exchequer suggesting that when the statement of principles on the international monetary fund was released it be accompanied by a statement which would make it clear that the statement of principles in no way committed the governments concerned and that it was being published at this stage to promote informed discussion in all quarters from which valued guidance could be obtained by governments in preparation for the time when policies of various interested states had to be formulated. All of

4/21/44

-4-

the Board members felt that such a statement would be very good, but that the statement submitted to Mr. Goldenweiser by Mr. White would not be satisfactory from the Board's standpoint.

At this point Mr. Gardner, Chief of the International Section of the Division of Research and Statistics, came into the room.

In response to an inquiry from Mr. Evans, Chairman Eccles stated that in his conversation with Mr. Sproul he had not suggested that Mr. Williams, Vice President of the Federal Reserve Bank of New York, who had made several statements on the subject of international monetary stabilization, refrain at least for the time being from making any public statements in opposition to the statement of principles. This point was discussed briefly, and Chairman Eccles stated that he would talk to Mr. Sproul again and make such a suggestion to him.

In connection with the question whether the proposed international conference would be held at which the statement of principles would be considered, Mr. Gardner stated that if the conference were held the delegates were expected to come to the conference committed to the statement of general principles, that the British would not be able to commit themselves until after the matter had been debated in Parliament, and that if the representatives were not in a position to commit England after such a debate the

4/21/44

-5-

conference would not be called. He also said that Russia might not be willing to commit itself to the statement of general principles, but that the Treasury was prepared to go ahead with the conference without Russian representation.

Messrs. Goldenweiser and Gardner left the meeting at this point.

There were then presented telegrams to Mr. Brome, Assistant Secretary of the Federal Reserve Bank of New York, and Messrs. McGreedy, Clouse, Dillard, Stewart, and Hale, Secretaries of the Federal Reserve Banks of Philadelphia, Cleveland, Chicago, St. Louis, and San Francisco, respectively, stating that the Board approved the establishment without change by the Federal Reserve Banks of St. Louis and San Francisco on April 18, and by the Federal Reserve Banks of New York, Philadelphia, Cleveland, Chicago, and San Francisco on April 20, 1944, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

There was also presented a letter dated April 15, 1944, from Mr. Lichtenstein, Secretary of the Federal Advisory Council, asking for a list of subjects which the Board wished the Council to discuss at its next meeting, which will be held in Washington on May 14-16, 1944.

4/21/44

-6-

Mr. McKee inquired whether the Council had taken a position with respect to the authority of the Board of Governors to issue the ruling published in the September 1943 issue of the Federal Reserve Bulletin relating to the absorption of exchange and collection charges as a payment of interest on demand deposits, and in that connection the resolution adopted by the Council at its last meeting on February 14, 1944, with respect to the Brown-Maybank bill was read.

As a related matter, there was read the text of the statement adopted by the Executive Council of the American Bankers Association at its recent meeting in Chicago with regard to the Brown-Maybank bill, and Mr. McKee inquired whether there was anything in the statement which the Board should undertake to answer. The statement referred to was as follows:

- "The position of the A.B.A. on the Brown-Maybank Bills which are now before Congress is as follows:
1. The Brown-Maybank Bills seek to correct a conflict which has arisen between government supervisory authorities out of divergent interpretations of the law. This conflict has subjected many of the banks of the country to confusion and inequity in important aspects of their operations.
  2. These divergent interpretations of the law by the government supervisory agencies apparently can only be cured by Congress, putting into the law its own interpretations of what was meant by the payment of interest in the Banking Act of 1935. An interpretation of the law should not be left to regulations of government agencies.
  3. The Association believes that the Brown-Maybank Bills should not be enacted because they constitute an inadequate and unsatisfactory solution of this difficulty.
  4. We suggest legislation which would have three purposes:

4/21/44

-7-

- "a. That Congress undertake to define in the law what is the payment of interest.
  - b. That Congress state in the law limitations under which all insured banks may be permitted to absorb exchange charges only in incidental and minor amounts, and assure to the banks their right to perform other banking services to their depositors.
  - c. To postpone for a reasonable period of time the effective date of the law relating to the absorption of exchange charges, thereby allowing for adjustments.
5. The Association reasserts its previous position in opposition to the forcing of universal par clearance by federal law or regulation."

There was agreement that no action should be taken by the Board with respect to the statement, at least at this time.

Mr. Morrill was requested to inform Mr. Lichtenstein that at the present time the Board had no topics to suggest for discussion by the Federal Advisory Council at its next meeting.

Mr. Szymczak then presented a memorandum dated April 15, 1944, from Mr. Leonard submitting the list of salaries fixed by the board of directors of the Federal Reserve Bank of Minneapolis, subject to approval by the Board of Governors, for the officers of the Bank for the year beginning June 1, 1944, and recommending that, for the reasons stated in the memorandum, the proposed salaries be approved with the understanding that appropriate certificates in connection with the increases for Mr. Mills, Cashier, Mr. McConnell, Assistant Vice President, and Mr. Core, Personnel Officer, would be submitted to the Joint Committee on Salaries and Wages.

4/21/44

-8-

This recommendation was approved unanimously, together with the following letter to Mr. Peyton, President of the Federal Reserve Bank of Minneapolis:

"The Board of Governors approves the payment of salaries to the officers of the Federal Reserve Bank of Minneapolis and the Helena Branch, for the year beginning June 1, 1944, at the rates as fixed by your Board of Directors and reported in your letter of March 16, 1944, as follows:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
J. N. Peyton	President	\$25,000
O. S. Powell	First Vice President and Secretary of the Board	15,000
Sigurd Ueland	Vice President and Counsel	12,000
A. R. Upgren	Vice President and Economist	8,500
Otis R. Preston	Vice President	8,500
E. W. Swanson	Vice President	10,000
Harry I. Ziemer	Vice President	9,000
A. W. Mills	Cashier and Secretary	7,500
E. B. Larson	Assistant Vice Presi- dent	6,500
H. G. McConnell	Assistant Vice Presi- dent	7,500
R. D. Baker	Assistant Cashier	4,500
A. R. Larson	Assistant Cashier	6,000
Wm. E. Peterson	Assistant Cashier	5,500
W. H. Turner	Assistant Cashier	5,000
H. C. Core	Personnel Officer	7,500
M. E. Lysen	Operating Research Offi- cer	5,000
M. H. Strothman, Jr.	Assistant Counsel	5,000
O. W. Ohnstad	Auditor	5,000
	<u>HELENA BRANCH</u>	
R. E. Towle	Managing Director	8,000
C. J. Larson	Assistant Manager	5,000

"The Board also approves the continuation of the payment of salaries to Messrs. E. B. Larson and Strothman for the period March 15, 1944 to May 31, 1944, at the rates of \$6,000 and \$4,500 per annum, respectively, which were the

4/21/44

-9-

"annual rates received prior to their recent promotions."

Attention was also called to a second memorandum dated April 15, 1944, from Mr. Leonard submitting the list of salaries fixed by the board of directors of the Federal Reserve Bank of San Francisco, subject to approval by the Board of Governors, for the officers of that Bank for the year beginning May 1, 1944, and recommending, for the reasons stated in the memorandum, that the proposed salaries be approved.

Mr. Leonard's recommendation was approved unanimously, together with the following letter to Mr. Day, President of the Federal Reserve Bank of San Francisco:

"The Board of Governors approves the payment of salaries to the officers of the Federal Reserve Bank of San Francisco and its Branches for the year beginning May 1, 1944, at the rates as fixed by your Board of Directors and submitted with your letter of March 18, 1944 as follows:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
Wm. A. Day	President	\$25,000
Ira Clerk	First Vice President	19,000
W. M. Hale	Vice President	16,500
C. E. Earhart	Vice President	12,000
H. N. Mangels	Cashier	8,500
E. C. Mailliard	Assistant Cashier	5,700
J. M. Osmer	Assistant Cashier	6,000
H. F. Slade	Assistant Cashier	6,500
R. T. Hardy	Assistant Cashier	5,700
Merritt Sherman	Assistant Cashier	6,000
H. Armstrong	Assistant Cashier	5,300
Ronald T. Symms	Assistant Cashier	5,500
J. A. Randall	Assistant Cashier	4,500
R. H. Morrill	Assistant Cashier	4,800
F. H. Holman	General Auditor	8,500
Albert C. Agnew	General Counsel	15,000
John A. O'Kane	Assistant General Counsel	5,000
Oliver P. Wheeler	Director of Research	8,000

4/21/44

-10-

"LOS ANGELES BRANCH

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
W. N. Ambrose	Managing Director	\$12,000
Fred C. Bold	Assistant Manager	7,500
M. McRitchie	Assistant Manager	6,000
L. C. Meyer	Assistant Manager	5,500
W. D. Durrant	Assistant Manager	5,000
C. H. Watkins	Assistant Manager	5,000
E. R. Barglebaugh	Assistant Manager	4,500

PORTLAND BRANCH

D. L. Davis	Managing Director	10,000
S. A. MacEachron	Assistant Manager	6,500
D. E. Bent	Assistant Manager	5,000
J. P. Blanchard	Assistant Manager	4,500

SALT LAKE CITY BRANCH

W. L. Partner	Managing Director	8,500
J. M. Leisner	Assistant Manager	6,500
W. M. Scott	Assistant Manager	4,500
O. H. Barnard	Assistant Manager	4,200

SEATTLE BRANCH

C. R. Shaw	Managing Director	10,000
B. A. Russell	Assistant Manager	5,500
R. E. Everson	Assistant Manager	5,300
D. E. Simms	Assistant Manager	4,800"

Mr. McKee stated that an informal request had been received from the American Banker for a statement of the Board's position with respect to the absorption of exchange charges as a payment of interest on demand deposits, which would be published by the paper with a statement of the position of the Federal Deposit Insurance Corporation on the same question. He stated that he was opposed to furnishing a statement for that purpose, and the other members of the Board concurred on the grounds that the Board should not be put into the position of appearing to debate the matter with another Government agency and that no useful purpose would be served by following such a course. It was also felt that if anything

4/21/44

-11-

further were said by the Board on the matter it should be when hearings were held by the Senate Committee on Banking and Currency on the Brown-Maybank bill.

At this point Messrs. Thurston, Leonard, Vest, and Wyatt, withdrew from the meeting, and the action stated with respect to the following matters was taken by the Board:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on April 20, 1944, were approved unanimously.

Letter to Mr. Meyer, Assistant Cashier of the Federal Reserve Bank of Chicago, reading as follows:

"The Board of Governors approves the changes in the personnel classification plan of the Detroit Branch, involving the establishment of the position of Assistant Supervisor, Current Issues Division, Bond Department and changes in the description of work for the position of Supervisor, Current Issues Division, Bond Department, as submitted with your letter of April 17, 1944."

Approved unanimously.

Letter to Mr. P. Philip Lacovara, Legal Editor of Trusts and Estates, New York, New York, reading as follows:

"This refers to your letter of April 11, 1944 to Mr. Wyatt, the Board's General Counsel, inquiring whether a bank which is operating a common trust fund may invest deposits under a pension trust plan by way of a participation in the common trust fund.

"The Board has not had occasion to rule upon the applicability of the provisions of Regulation F relating to common trust funds to deposits under a pension trust plan. The Board of Governors desires always to be as

4/21/44

-12-

"helpful as possible in answering inquiries submitted to it but for reasons which you will readily understand, it is the established policy of the Board not to issue rulings or express opinions upon abstract or hypothetical questions but only upon the basis of the facts of actual cases in which the question presented is material. In the inquiry which you present there are a number of questions of fact which may vary as between different pension trust plans and, in the circumstances, the Board feels that it is not in a position to attempt to express an opinion on the matter at this time."

Approved unanimously.

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

"In connection with adjustments under sections 5 and 6 of both the 1942 and 1943 standard forms of guarantee agreement, certain administrative problems have arisen. These problems have resulted primarily from two requirements of the guarantee agreement: (1) that, in order for a contract to be considered a 'cancelled contract', its cancellation must be traced back to the cancellation or termination of a prime contract without fault of the prime contractor; and (2) that all war production contracts of the Borrower, regardless of their size, must be included by the Borrower in any computation of the adjustment formula.

"As the result of discussions of these problems at recent conferences between representatives of the Services and the Board of Governors, the War Department, the Navy Department, and the Maritime Commission are considering the adoption of a special section to be included in guarantee agreements, which is designed to meet these problems by amending the definition of 'cancelled contract' and by permitting the exclusion of small contracts from the computation of the adjustment formula. A draft (dated April 18, 1944) of the proposed section is attached.

"The proposed change in the definition of 'cancelled contract' is self-explanatory. As to the exclusion of small contracts, it is contemplated that the Reserve Banks would be authorized to approve the insertion in section 4(B) of any figure up to and including \$1,000,

4/21/44

-13-

"if in the judgment of the Reserve Bank, based on presently available figures and the Borrower's best estimates, the total amount of contracts so excluded would not exceed 10% of the anticipated volume of the Borrower's war production contracts in the foreseeable future. Any cases in which the exclusion of a larger amount of contracts was requested would be referred to Washington. While the proposed special section would be available only as a whole, if in any case the Borrower and the Financing Institution should not wish to exclude small contracts, the blank space in section 4(B) would be left unfilled.

"If small contracts are to be excluded from the computation, it seems appropriate that they should also be excluded from the ceiling provision of section 6(A). However, since these small contracts will presumably continue to be used as a basis for borrowing because of difficulties of segregation, the Services feel that such contracts should not be eliminated from the pay-down provision of section 6(B).

"It is contemplated that the proposed section would be added to all future guarantee agreements. In cases where a guarantee agreement on the form of April 6, 1943 is already in use, the proposed section would be added to the guarantee agreement by means of an appropriate Supplement at the request of the Financing Institution and the Borrower.

"Where a 1942 form of guarantee agreement is in use, the proposed section would likewise be available, but only if the Financing Institution and the Borrower accept the standard form of April 6, 1943, in its entirety, in substitution for the outstanding 1942 form of agreement. In such a case, if no material changes are made in the terms of the loan, the new guarantee agreement would be dated as of the date of the original guarantee agreement in order that all cancelled contracts which were cancelled after the date of the original agreement might be included for purposes of adjustment under sections 5 and 6.

"Before any action is taken on the proposed section, the Services and the Board of Governors will appreciate receiving any suggestions and comments which you may care to make with respect to the proposed changes or with respect to their adequacy to meet the problems described in the first paragraph of this letter. The Board would especially

4/21/44

-14-

"like to know your views as to the limitations on the amount of contracts which the Reserve Banks are authorized to exclude and the fact that such small contracts are not eliminated from the pay-down provision of section 6(B). In order that your comments may be considered, they must be submitted so as to reach the Board not later than May 1, 1944."

Approved unanimously, together with letters to Colonel John C. Mechem of the War Department, Mr. Coolidge of the Navy Department, and Lieutenant Griffith of the Maritime Commission transmitting copies of the above letter.

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

"Re telegram April 19, porch enclosures would not be classed as storm windows for purposes of section 8(m) of Regulation W."

Approved unanimously.

Memorandum of this date from Chairman Eccles referring to a memorandum dated April 19, 1944, from Mr. Vest, Assistant General Attorney, with regard to a meeting which he attended with representatives of the War, Navy, and Treasury Departments and the War Production Board with respect to the extension of the provisions of the Second War Powers Act which expire December 31, 1944, and Title IV of which contains the amendment to section 14 of the Federal Reserve Act authorizing the Federal Reserve Banks to buy Government obligations directly from the Treasury. At this meeting it was proposed that Assistant Attorney General Cox would prepare a letter to the Bureau of the Budget recommending an extension until December 31, 1946, of the provisions of the

4/21/44

-15-

Second War Powers Act and stating that all of the interested agencies favored the extension of the law for the additional two-year period. Chairman Eccles' memorandum suggested that the Board authorize Mr. Vest to inform Mr. Cox of the Board's approval of such a procedure.

Chairman Eccles' suggestion was approved unanimously.

Thereupon the meeting adjourned.

Chester Morie

Secretary.

Approved:

W. Eccles

Chairman.