

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Saturday, May 6, 1944, at 11:30 a.m.

PRESENT: Mr. Eccles, Chairman
Mr. Szymczak
Mr. McKee
Mr. Draper

Mr. Morrill, 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 May 5, 1944, were approved unanimously.

Memorandum dated May 3, 1944, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that Miss Phyllis Bramlet be appointed as a clerk-stenographer in that Division on a temporary basis for an indefinite period, with basic salary at the rate of \$2,000 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, with the understanding that if her references and services prove satisfactory she will be recommended for a permanent appointment.

Approved unanimously.

Memorandum dated May 3, 1944, from Mr. Paulger, Director of the Division of Examinations, submitting the resignation of Dwight L. Crays as a Federal Reserve Examiner, to become effective as of the

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close of business on June 15, 1944, and recommending that the resignation be accepted as of that date.

The resignation was accepted as recommended.

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

"In accordance with the request contained in your letter of May 2, 1944, the Board approves the appointment of Albert Joseph Shipacasse as an assistant examiner for the Federal Reserve Bank of Cleveland. Please advise us of the date upon which the appointment becomes effective and also of the salary rate."

Approved unanimously.

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

"Under date of April 8, 1944, the Board received a letter from Mr. D. W. Bell, Under Secretary of the Treasury, in which he referred to his letters of February 19, 1942 and June 2, 1943, concerning the assortment of paper currency according to fitness for further circulation. Mr. Bell stated that recently the Division of Loans and Currency of the Treasury had examined the lower halves of Federal Reserve notes sent in for redemption and found that a relatively large percentage of the notes appeared to be fit for further circulation. He pointed out, however, that examination was made on half notes and that had the examination been on whole notes the percentage of fit might have been reduced. Subsequently Mr. Rusch, Chief of the Federal Reserve Issue and Redemption Division of the Office of the Comptroller of the Currency, advised us that the uppers showed a considerable percentage of fits although a much lower percentage than

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"that found by the Division of Loans and Currency with respect to lowers.

"In view of the differences in the apparent fitness of the upper and lower halves, it was decided to bring the upper and lower halves together for the purpose of ascertaining the degree of fitness before cancellation. Representatives of the Division of Loans and Currency of the Treasury, of the Federal Reserve Issue and Redemption Division of the Comptroller's Office, of the Board and from one Federal Reserve Bank visited the Bureau of Engraving and Printing for this purpose. Mr. Rusch furnished one counter and Mr. Baczenas, Head of the Money Section of the Currency Redemption Division, furnished a counter. The uppers were given to one counter and the lowers to another with instructions to each of them to pick out the notes they would consider fit. In a package of 20's one of the counters picked out 38 and the other 72 as fit. When the two halves were matched 22 notes were considered fit for further circulation by the representatives present, with many being on the border line. The same process was used with respect to 10's, with 18 whole notes being considered fit. While no attempt was made to match the lower and upper halves of 5's, such examination as was given to them indicated that the percentage of fitness among 5's was much less than among 10's and 20's.

"In view of the very large increase in the amount of money in circulation, the large printings which are in prospect for the fiscal year 1945, approximately 44,000,000 sheets of 12 notes each, and the shortage of manpower, it is believed that some reduction in the standard of fitness of the currency would be justified. It is suggested, therefore, that the officer in charge of your currency operations give special attention to this matter with a view of reducing the standard of fitness where or to the extent that conditions seem to justify."

Approved unanimously.

Letter to Mr. Clerk, First Vice President of the Federal Reserve Bank of San Francisco, reading as follows:

"This will acknowledge receipt of your letter of April 24 regarding the use of Hawaiian overprinted Federal

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"Reserve notes of the Federal Reserve Bank of San Francisco in the Central Pacific area.

"After seeing a reference to this use of Hawaiian overprinted currency in the newspapers, we got in touch with the Treasury Department and were furnished with a copy of the Department's press release of February 9, of which you have a copy. Subsequently, Governor Szymczak talked with Mr. Bell over the telephone about this matter and Mr. Bell promised to write the Board a letter in regard thereto. Not receiving a letter within a reasonable period, Governor Szymczak wrote a note to Mr. Bell calling his attention to his promise to write the Board about the overprinted Federal Reserve notes used in the Central Pacific area. A copy of Mr. Bell's letter dated March 2, 1944, to the Board in this respect is attached.

"The questions raised by you have been in our minds for some time and it is our intention to review this question with the Treasury before any further authorizations are given for the production of Hawaiian overprinted Federal Reserve notes. The Board agrees with you that it might be well for the Presidents to consider this matter at their next Conference."

Approved unanimously.

Memorandum dated May 3, 1944, from Mr. Smead, Director of the Division of Bank Operations, referring to the approval by the Board on February 4, 1944, of an increase from \$6 to \$7 in the per diem allowance for the examiners participating in the examinations of the Federal Reserve Banks and their Branches for the period January 15, 1944, to December 31, 1944, inclusive, and recommending that the same allowance under the same conditions be authorized for employees of the Division of Bank Operations who visit the Federal Reserve Banks for the purpose of reviewing operating costs, with particular reference to the cost of handling fiscal agency operations.

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Approved unanimously, effective immediately, with the understanding that, if conditions became more nearly normal at any time during that period and apparently justified a return to the \$6 per diem, the whole subject would be reviewed and a report submitted to the Board.

Thereupon the meeting adjourned.

Chester Morice
Secretary.

Approved:

W. Steeles
Chairman.