

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, May 22, 1944, at 10:00 a.m.

PRESENT: Mr. Szymczak
Mr. McKee
Mr. Draper
Mr. Evans

Mr. Morrill, Secretary
Mr. Carpenter, Assistant Secretary
Mr. Clayton, Assistant to the Chairman
Mr. Dreibelbis, General Attorney
Mr. Leonard, Director of the Division
of Personnel Administration

Mr. Szymczak stated that last week he talked over the telephone with Chairman McCabe, President Williams, and Vice President Sienkiewicz of the Federal Reserve Bank of Philadelphia and that this morning he had received a letter dated May 20, 1944, from Mr. Williams reading as follows:

"On Thursday afternoon Tom McCabe passed along with his enthusiastic endorsement a request from Marion B. Folsom, Treasurer of Eastman Kodak Company, that we release Cas Sienkiewicz two days a week for an indeterminate period to serve as his assistant on the staff of the Colmer Post-War Planning Committee of the House. Marion Folsom, one of the outstanding business men of the country, was commandeered by the Colmer Committee to direct its studies of transition policies, and there is no doubt that under his leadership the post will carry with it a great deal of leverage.

"I share Tom's conviction that the position is a strategic one, that Cas is custom-made for it, and that he can perform a great service to the System in it, particularly at this time of flux when so many national economic policies are being crystallized in legislation.

"Cas and I have conferred at length about the move and conclude that it can be made by reducing some of his outside commitments and distributing others among the rest of us. He has unusual capacity for work but there is a limit to the load that even a draft horse can carry!

5/22/44

-2-

"I would be loath to approve such a move if the Governors' attitude toward it were in any way less than enthusiastic. I shall appreciate it if you will explore the matter with them. The Committee no doubt would provide its maximum per diem compensation plus an expense allowance."

In the discussion that ensued, it was stated that the Colmer Post-War Planning Committee was a committee established pursuant to House Resolution 408 which made it the duty of the committee to investigate all matters relating to postwar economic policy and problems, to gather information, plans, and suggestions from informed sources with respect to such problems, to study the plans and suggestions received, and to report to the Congress from time to time the results of findings made and conclusions reached. It was the purpose of the resolution to make accessible to the Congress through the committee the most complete information respecting postwar economic policy and postwar problems that was available, to the end that Congress might be advised respecting these problems and be in a position to formulate solutions with respect to them which would result in the greatest contribution by the Congress to the achievement of a stable economy and a just peace. According to the first report of the committee dated May 12, 1944, Marion B. Folsom was serving as director of staff of the committee.

Mr. Szymczak stated that it would be his recommendation that the Board approve the arrangement referred to in Mr. Williams' letter, it being understood that Mr. Sienkiewicz' salary would continue to be paid

5/22/44

-3-

by the Bank while he was absent on the work of the committee.

Mr. Szymczak's recommendation was approved unanimously.

Mr. McKee then referred to the discussion at the meeting of the Board on May 19, 1944, with respect to the proposed introduction by Congressman Patman of the holding company bill and to the wire which was sent to the Presidents of all the Federal Reserve Banks on May 20 advising that Mr. Patman had decided not to introduce the bill at this time because, in consultation with the Treasury, he was advised that the Treasury felt the introduction of the bill would interfere with Treasury financing. Mr. McKee also referred to the conversations previously had with Congressman Voorhis and the letter that had been received from him under date of May 9, 1944, indicating his willingness to introduce the bill, and stated that Mr. Voorhis had called on the telephone this morning, and that he (Mr. McKee) had told him of the latest developments in connection with the matter, after which the Congressman stated that he would discuss the matter with Mr. Patman and see what could be worked out.

In connection with Mr. McKee's suggestion that Chairman Eccles, who was in the West, be informed of the latest developments, the opinion was expressed that it would be well to talk with Congressman Voorhis again to see if he had talked with Congressman Patman so that, in the event he had, Chairman Eccles could be informed of the results of that conversation. Mr. McKee called Congressman Voorhis, who said that he had not yet talked with Congressman Patman but that he expected to do so

5/22/44

-4-

sometime during the day. Mr. McKee asked him to call Mr. Dreibelbis following his conversation with Congressman Patman and let Mr. Dreibelbis know the results so that he could inform Chairman Eccles later in the day. It was also understood that following Mr. Dreibelbis' conversation with Congressman Voorhis a wire would be sent to Mr. McKee in Pittsburgh where he was going to attend the annual meeting of the Pennsylvania Bankers Association.

Mr. Leonard stated that a letter was received under date of May 18, 1944, from Mr. Brainard, Chairman of the Federal Reserve Bank of Cleveland, stating that the board of directors of the Bank desired to discuss personnel problems with the Board and suggesting Thursday, June 8, 1944, as the date for that discussion. The letter also asked that if this date were not agreeable to the Board it indicate one or more other dates when the conference could be held. In the ensuing discussion, it was stated that Chairman Eccles might not return to Washington until Monday, June 12.

It was agreed unanimously to inform Mr. Brainard that the Board would prefer to have the meeting with the Cleveland directors on June 15 but that, if that were not convenient to the directors, the Board would be glad to meet with them at 10:30 a.m. on June 8.

Mr. Leonard referred to the new regulations which had been issued by the War Manpower Commission with respect to deferments from military service and stated that, in accordance with instructions of the Commission and what was now standard Government procedure, the Board's Committee on Deferment would proceed to request the deferment of all men of draft age on its staff who were 30 years of age or who had been placed

5/22/44

-5-

in the IV-F or limited-service classification. He said that the deferment of these employees would take place automatically, the requests being sent directly to the draft boards with copies to the Review Committee on Deferment of Government Employees of the War Manpower Commission.

No objection was offered by the members of the Board to the procedure outlined by Mr. Leonard.

At this point Messrs. Dreibelbis and Leonard 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 May 20, 1944, were approved unanimously.

Memorandum dated May 21, 1944, from Mr. Paulger, Director of the Division of Examinations, recommending that, effective as of the date upon which he enters upon the performance of his duties, George H. Emde be appointed on a temporary basis for a period of not to exceed 12 months as a Federal Reserve Examiner, with basic salary at the rate of \$4,500 per annum, and with official headquarters at Cleveland, Ohio.

By unanimous vote, Mr. George H. Emde was appointed on a temporary basis for a period of not to exceed 12 months as an examiner to examine Federal Reserve Banks, member banks of the Federal Reserve System, and corporations operating under the provisions of sections 25 and 25(a) of the Federal Reserve Act, for all purposes of the Federal Reserve Act and of all other acts of Congress pertaining to examinations made by, for, or under the direction of the Board of Governors

5/22/44

-6-

of the Federal Reserve System, and was designated as a Federal Reserve Examiner, with official headquarters at Cleveland, Ohio, and with basic salary at the rate of \$4,500 per annum, all effective as of the date upon which he enters upon the performance of his duties.

Memorandum dated May 20, 1944, from Mr. Morrill recommending, for the reasons stated in the memorandum, that Mrs. Evelyn (Simpson) Gjelhaug, a file clerk in the Secretary's Office, be granted an extension from June 1, 1944, for a period not extending beyond September 30, 1944, of the leave without pay previously granted her by the Personnel Committee in order that she might be with her husband who is in the Army Air Corps, and that the Board continue to make its contributions to the retirement system on Mrs. Gjelhaug's behalf during her absence provided she continues her own contributions for the same period.

Approved unanimously.

Letter prepared for the signature of Mr. Leonard, as Chairman of the Agency Committee on Deferment of Government Employees, to Mr. Edgar F. Puryear, Chairman of the Review Committee, Deferment of Government Employees, War Manpower Commission, reading as follows:

"Under the provisions of Section IV, 1-b, of Executive Order 9309, the Agency Committee submits herewith in triplicate, a request on Form 42 for the deferment for six months of Joseph T. Glotfelty, Jr., an Operating Engineer on the Board's mechanical staff. Mr. Glotfelty is 29 years 7 months of age.

"In your telegram of May 16, you state that requests for deferment of men 26 through 29 years of age should be submitted only for men deemed essential and not easily replaceable by our organization. This is such a case. Mr. Glotfelty is truly an essential man on our mechanical staff and the only

5/22/44

-7-

"one qualified to handle some of the more complicated work necessary in the maintenance of the equipment. It would be extremely difficult to replace him."

Approved unanimously.

Letter to Mr. Willett, First Vice President of the Federal Reserve Bank of Boston, reading as follows:

"In accordance with the request contained in your letter of May 16, 1944, the Board approves the appointment of Robert W. Clemence as an assistant examiner for the Federal Reserve Bank of Boston. Please advise us of the date upon which the appointment becomes effective."

Approved unanimously.

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

"In accordance with the request contained in Mr. Diercks' letter of May 17, 1944, the Board approves the designation of Rolland A. Franzen as a special assistant examiner for the Federal Reserve Bank of Chicago."

Approved unanimously.

Letter to the Federal Reserve Bank of New York, reading as follows:

"Receipt is acknowledged of your letter of May 19, informing the Board that subject to its approval, which you request, your directors have authorized the opening and maintaining of an account for the Bank voor Nederlandsch-Indie N. V. It is noted that before opening the account you expect to ascertain whether the Treasury Department and the State Department, respectively, will issue the necessary licenses and certification. Assuming that the attitude of these two departments will be favorable, the Board approves, as requested, your opening and maintaining an account on your books for and in the name of the Bank voor Nederlandsch-Indie N. V."

Approved unanimously.

5/22/44

-8-

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

"There are enclosed herewith copies of letters addressed to all Federal Reserve Banks by the War Department and the Navy Department dated May 17, and May 18, 1944, respectively, approving amendments to the guarantee agreement as set forth in a special section in the form enclosed with such letters, in order to facilitate adjustments under sections 5 and 6 of the guarantee agreement. The matter is now under consideration by the Maritime Commission. The originals of the enclosed letters are in the Board's files and we will be glad to send you photostatic copies if you so desire.

"A printed supply of the special section approved by the enclosed letters will be sent you in the near future and it is contemplated that, when further printings of the standard form of guarantee agreement of April 6, 1943 are required, the amendments made by the special section will be incorporated in the reprinted forms."

Approved unanimously, together with
the following letter to Honorable Preston
Delano, Comptroller of the Currency:

"In order to facilitate adjustments under sections 5 and 6 of the standard form of guarantee agreement used pursuant to the Board's Regulation V and Executive Order 9112, the War Department and the Navy Department have approved certain amendments to the form of guarantee agreement of April 6, 1943. There is enclosed a copy of a letter addressed to all Federal Reserve Banks by the War Department under date of May 17, 1944, authorizing such amendments, as set forth in a special section in the form therewith enclosed. A similar letter has been addressed to the Federal Reserve Banks by the Navy Department; and the Maritime Commission has the matter under consideration.

"You will recall that, in a letter dated April 7, 1943, you expressed the opinion that the form of guarantee agreement of April 6, 1943 is 'unconditional' for the purposes of Exception 10 to section 5200 of the Revised Statutes, relating to extensions of credit by national banks. While the amendments made by the special section above mentioned do not appear to affect this question, we will appreciate your opinion as to whether the form of

5/22/44

-9-

"guarantee agreement as so amended is unconditional with-
in the meaning of this statute."

Memorandum of this date from Mr. Nelson, Assistant Secretary, to Governor Draper recommending, in view of the fact that it was believed that the risk of loss of funds in the cafeteria was not very great and the expenditure of a high premium for fidelity bonds hardly seemed warranted, and the further fact that the insuring of the cafeteria receipts might not be consistent with the pending proposal of self-insurance by the Federal Reserve Banks, that the Board not incur the expense of fidelity bonds covering the operations of the cafeteria upon their being taken over by the Board on June 1, 1944.

Approved unanimously.

Thereupon the meeting adjourned.

Walter Morie
Secretary.

Approved:

W.S. Johnson
Member.