

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, May 31, 1944, at 11:00 a.m.

PRESENT: 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. Goldenweiser, Director of the Division of Research and Statistics
Mr. Dreibelbis, General Attorney
Mr. Gardner, Chief of the International Section, Division of Research and Statistics
Mr. Hammond, Chief of the Correspondence and Publications Section, Office of the Secretary

Mr. Szymczak stated that he had kept the Board informed of the progress of discussions of plans for an international stabilization fund and an investment bank and that he had reported informally to the members of the Board who were in Washington the developments last week which led up to the announcement by the President of the calling of an international monetary and financial conference to be held at Bretton Woods, New Hampshire, beginning July 1, 1944, for the purpose of formulating detailed plans for the proposed international monetary fund and the Bank for Reconstruction and Development. He referred also to the fact that this conference was to be preceded by a meeting beginning June 15 of technical representatives

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of 12 nations to prepare an agenda for the conference. It had appeared from Mr. Szymczak's conversations with Mr. Bernstein, Assistant Director of the Division of Monetary Research of the Treasury, regarding these matters that Chairman Eccles would be asked to serve as a member of the American delegation which would participate in the conference at Bretton Woods, that staff members of the Federal Reserve System would be on the technical staff of the delegation, and that two members of the Board's staff would be asked to serve with the group which would prepare the agenda.

Mr. Szymczak also said that while he was at the Treasury on Monday, May 29, 1944, on another matter he learned from Mr. White, Director of Monetary Research of the Treasury, that the Secretary of the Treasury had talked over the telephone with Chairman Eccles, who was in California at the time, and asked him to be a member of the delegation, and that Chairman Eccles had accepted. He made the further statement that, since it was assumed that Chairman Eccles would attend the conference in his capacity as Chairman of the Board of Governors, the question was presented what, if any, action was called for by the Board. Mr. Szymczak went on to say that it appeared from his recent conversations with Mr. White and Mr. Collado, Special Assistant to the Under Secretary of State, that, although the Treasury had been working constantly on the plans for the conference and might call in staff representatives of other interested Government agencies this week, there had as yet been no consultation by the Treasury staff with other agencies since the conference was announced. In connection with the technical staff for the conference, Mr. White mentioned

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Messrs. Goldenweiser, Dreibelbis, and Gardner as members of the Board's staff whom he would like to have as members of the conference staff.

Mr. Szymczak said he mentioned Messrs. Hansen and Thurston as possible members of the conference staff (to which Mr. White readily agreed) and also John Williams, Vice President of the Federal Reserve Bank of New York, as one whom Chairman Eccles might like to have assist him at the conference. Mr. White indicated that there would be no objection if Chairman Eccles so desired. It appeared that the meeting place of the group which would prepare the agenda had not been determined although Mr. White wished to have it outside of Washington.

In the ensuing discussion, Mr. Szymczak stated that it seemed to him that there were three questions on which the Board should reach a decision: (1) What, if any, views on the part of the Board should be expressed to Chairman Eccles as a member of the American delegation, (2) the representatives of the System to serve on the technical staff of the conference, and (3) whether meeting facilities in the Board's building should be tendered for the use of the group which would prepare the agenda.

Mr. McKee stated that before he reached a decision on the first two points he would like to study the plans for the monetary fund and the Bank for Reconstruction and Development, and that for that purpose he would like to have a meeting or meetings at which Mr. Sproul, President of the Federal Reserve Bank of New York, Vice President Knoke, and possibly others from the Reserve Banks would be present for discussion of the plans point by point.

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There was agreement that the Presidents of the Federal Reserve Banks should be represented in any such discussion for the reason that the Banks would have an interest and perhaps some responsibility in connection with the operation of the monetary fund and, therefore, should participate in the discussions of the matter which would take place before the international conference was held. There was also agreement that because of the shortness of time whatever meetings that were held should be called as promptly as possible. The suggestion was made that Mr. Day, as Chairman of the Presidents' Conference, might be requested to designate one or more Presidents to attend such discussion meetings and that Mr. Creighton, as Chairman of the Chairmen's Conference, might be invited to attend. There was also a discussion of whether, particularly since he had been mentioned as a possible member of the American delegation to the international conference, Mr. Brown, President of the Federal Advisory Council, might also be invited to attend.

At Mr. Szymczak's suggestion, it was agreed that the whole matter should be discussed over the telephone with Chairman Eccles, who was in Utah, after which further consideration would be given to it.

Mr. McKee suggested that Messrs. Ransom and Szymczak be appointed a committee to make such arrangements as might be found by them to be desirable.

In a further discussion, Mr. Szymczak stated that a month or two ago he had discussed with Chairman Eccles the advisability of having Messrs. Sproul, Williams, and Knoke of the Federal Reserve Bank of New

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York meet with representatives of the Board for the purpose of discussing the proposed plans and seeing what could be developed as a consensus for the System on the proposed fund and international bank, that the matter was discussed with Mr. Sproul, but that because of the intervention of other meetings the discussion was never held. He also said that in any discussions which might be attended by representatives of the Presidents, the Chairmen, and the Federal Advisory Council it was highly important that the discussions be limited to the consideration of the current drafts of the plans for the fund and international bank and not be extended to alternative plans which others might feel would be a better solution of the problem.

Following the discussion on the above matter, Mr. McKee presented a letter addressed to him under date of May 29, 1944, by Mr. Ruml, Chairman of the Federal Reserve Bank of New York, in which reference was made to the Board's letter of May 24, 1944, transmitting copies of the letters which the Board proposed to send in the future to new directors of the Federal Reserve Banks and Branches welcoming them into the official family of the Federal Reserve System. Mr. Ruml's letter referred to the use in the letters to Class A and B directors of the designation of "supplemental memorandum" in referring to the memorandum which it was anticipated would be prepared at the Federal Reserve Bank describing the organization of the Bank and the relationship of the board of directors, the executive and other committees of directors, the directors of the Branches, and the President and executive officers to each other and the functions performed

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by the Bank, and suggested that the use of the word "supplemental" was unnecessary in order to make clear which memorandum was being referred to.

Mr. Morrill was requested to inform Mr. Ruml by letter that the Board would delete the word "supplemental" from the letters to the Class A and B directors.

The meeting then recessed and reconvened at 3:00 p.m. with the same attendance as at the morning session except that Messrs. Clayton, Dreibelbis, and Hammond were not present and Mr. Thomas, Assistant Director of the Division of Research and Statistics, and Mr. Bergelin, Economist in that Division, were present.

Mr. Evans referred to the basis for a postwar economic program which was presented by Mr. Goldenweiser at the meeting of the Federal Open Market Committee on May 4, 1944, and briefly outlined by him at the Chairmen's Conference on May 10. He stated that, while it had been assumed that the Board would be favorable to the development of such a program, the matter had never been considered formally by the Board, and that he would like to have Mr. Goldenweiser present it for consideration at this time.

Mr. Goldenweiser distributed copies of a memorandum which he had prepared to the Board under date of May 31, 1944, which read in part as follows:

"This is a progress report on steps taken to organize the preparation of reports on postwar economic policies by members of the research staffs of the Board and the Federal Reserve Banks. What we propose to do is to get the best judgment of

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"specialists in the employ of the Federal Reserve System on desirable policies to be adopted after the war in the different fields with which they are familiar.

"I wish at this time to ask for Board approval of the general project so that I may have the assurance that the Board is in sympathy with the undertaking and will stand back of me in connection with such problems as may arise particularly in connection with the assignments of subjects to research men at the Federal Reserve Banks. * * * * *

" * * * * * At the meeting we had in Minneapolis (last week) of the System Research Advisory Committee the subject was discussed and specific assignments with a time schedule were prepared. A copy of these assignments is attached.

"It has become generally understood in the System that monetary and credit policy cannot be conducted satisfactorily without an understanding of the entire economic picture. Consequently, the System has on its payroll specialists in nearly every economic field. What it is proposed to do now is not to undertake any new research, but merely to ask the specialists to make reports of their judgment on the basis of such study as they have given the subject in recent years. When all of these reports have been received and edited they will together constitute a postwar program which will be available to the Board and the Banks. What other use will be made of this document and whether it will ever be considered for publication need not be discussed at this time.

"I believe that the banks will be glad to cooperate if they understand the basis on which it is being done. It is my own judgment that the fact that we have undertaken an ambitious and broad program has already helped the morale of the research staffs and has elicited a good deal of enthusiasm. Nothing stimulates economic thinking as much as the feeling that practical recommendations are wanted.

"It is my purpose to proceed with the preparation of these documents and to have them ready some time this autumn or early winter for submission to the Board. If for any reason the Board is not in favor of the proposal, I should like to stop it before proceeding further in making specific assignments. On the other hand, if the Board approves I want to send out the assignments promptly and also write to the Presidents of the Banks asking their support for the staff members in their bank who will be giving time to this matter."

Mr. Goldenweiser made it clear that, while the points in the program discussed by him at the meeting of the Federal Open Market Committee

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and the Chairmen's Conference were couched in definite positions with respect to the various fields of inquiry, the study would be undertaken for the purpose of determining what positions the Board might consider taking in connection with the respective matters, and that he did not wish to go ahead with it and formally make the assignments referred to in his memorandum unless the Board were willing to approve the project and favored his pursuing it with the Federal Reserve Banks.

Mr. Evans moved that the Board approve the making of the study as outlined by Mr. Goldenweiser with the understanding that it would be a project wholly within the Federal Reserve System in which all of the Federal Reserve Banks would participate, that no publicity would be given to the project or any of the results of the study until the Board had determined what its policy should be in that connection, and that a decision with respect to release or publication of all or any part of the study would be made only at a meeting at which all of the members of the Board were in attendance.

This motion was put by the chair and carried unanimously.

Messrs. Thomas and Bergelin left the meeting at this point.

During the luncheon recess all of the members of the Board were present in the Conference Room during a conversation over the loud-speaker telephone with Chairman Eccles with respect to the proposed meetings relating to the plans for the international stabilization fund and the Bank for Reconstruction and Development. During the telephone conversation, a transcript of which is in the files, Chairman Eccles confirmed the fact that he had been invited by Secretary Morgenthau, in accordance with a request

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by the President, to be a member of the American delegation to the international conference and that he had accepted the invitation with the understanding that he would serve in his capacity as Chairman of the Board of Governors rather than in an individual capacity. Chairman Eccles also confirmed the advice previously given that he did not plan to return to Washington until June 14 and stated that any arrangements that the Board might make for discussions of the matter preliminary to the meeting which had been called to prepare the agenda for the international conference would be entirely satisfactory to him.

At the conclusion of a further discussion, the following unanimous conclusions were reached:

1. That Mr. Ransom should call Mr. Day, as Chairman of the Presidents' Conference, and suggest that he name a small committee of the Presidents to be present at a meeting to be held in the Board Room in Washington on June 6, 1944, at 10:00 a.m. for the purpose of discussing the plans for the proposed monetary fund and the Bank for Reconstruction and Development, it being understood that the committee of Presidents would be at liberty to bring with them such members of the staffs of the Federal Reserve Banks as they might desire.
2. That Mr. Creighton, as Chairman of the Chairmen's Conference, should be invited to attend the meeting.
3. That Mr. Brown, as President of the Federal Advisory Council, should also be invited to attend. In that connection, Mr. Draper raised the question whether this would in any way jeopardize the position that the Board is under no obligation to consult with the Federal Advisory Council before proposed legislation is actually introduced, and the other members of the Board present were of the opinion that it would not do so.

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4. That Mr. Ransom should inform the Secretary of the Treasury that, if it were decided that the group which is to prepare the agenda for the international conference will meet in Washington, the Board would be glad to make available to the group meeting facilities (as distinguished from office facilities for members of the group) in the Board's building.
5. That a meeting of the Board would be held at 10:30 a.m. on Friday, June 2, 1944, for a preliminary discussion of the proposed plans for the monetary fund and the Bank for Reconstruction and Development.

At this point Messrs. Thurston, Goldenweiser, and Gardner 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 30, 1944, were approved unanimously.

Memorandum dated May 30, 1944, from Mr. Morrill submitting the resignation of Mrs. Irene Black as a cafeteria helper in the Secretary's Office, and recommending that it be accepted as of the close of business on May 24, 1944, with the understanding that appropriate deduction would be made from her salary for 6 hours and 18 minutes of unearned annual leave.

The resignation was accepted as recommended.

Memorandum of this date from Mr. Morrill submitting the resignation of Mrs. Laura Lawson as a cafeteria helper in the Secretary's Office, to become effective as of the close of business on May 31, 1944, and recommending that the resignation be accepted as of that date.

The resignation was accepted as recommended.

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

"Re Board's letter of May 22, 1944, enclosing letters from War and Navy Departments approving amendments to sections 4 and 6 of guarantee agreement, we have now received similar letter from Maritime Commission dated May 30, 1944, approving such amendments and copy of that letter is being forwarded to you today.

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrie
Secretary.

Approved:

Frank Janson
Vice Chairman.