

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, June 1, 1944, at 9:30 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

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 31, 1944, were approved unanimously.

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

"In accordance with the arrangement as outlined in your letter of May 26, 1944, the Board approves the appointment, effective May 24, 1944, of Timothy A. Durkin, Jr. as an examiner for the Federal Reserve Bank of Philadelphia."

Approved unanimously.

Letter to Mr. Stewart, Secretary of the Federal Reserve Bank of St. Louis, reading as follows:

"The Board of Governors approves payment of salaries to the officers of the Federal Reserve Bank of St. Louis for the year beginning June 1, 1944 at the following rates, which are the rates fixed by the board of directors, as reported in your letters of May 12 and May 25:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
Chester C. Davis	President	\$25,000
F. Guy Hitt	First Vice President	18,000
O. M. Attebery	Vice President	15,000
C. M. Stewart	Vice President and Secretary	10,000

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<u>"Name (Continued)</u>	<u>Title</u>	<u>Annual Salary</u>
Henry H. Edmiston	Vice President	\$8,000
Wm. E. Peterson	Vice President	7,500
S. F. Gilmore	Assistant Vice President	8,000
F. N. Hall	Assistant Vice President	6,800
G. O. Hollocher	Assistant Vice President	5,500
H. H. Weigel	Assistant Vice President	4,800
L. K. Arthur	Assistant Vice President	4,500
L. H. Carstarphen	General Counsel	8,000
L. H. Bailey	General Auditor	7,200
	<u>Little Rock Branch</u>	
Arthur F. Bailey	Managing Director	9,000
Clifford Wood	Assistant Manager	5,000
Clay Childers	Assistant Manager	3,900
	<u>Louisville Branch</u>	
C. A. Schacht	Managing Director	9,000
Fred Burton	Assistant Manager	5,100
Stanley B. Jenks	Assistant Manager	4,000
	<u>Memphis Branch</u>	
W. H. Glasgow	Managing Director	10,000
S. K. Belcher	Assistant Manager	5,300
C. E. Martin	Assistant Manager	5,100

"It is noted that Mr. Peterson was appointed Vice President and Mr. Arthur Assistant Vice President at the meeting of the directors May 11 with the proposed increases in their respective salaries to become effective June 1, 1944. In order to complete the record, the Board approves payment of salaries to Messrs. Peterson and Arthur in their new capacities at the former rates up to June 1, 1944 when the increases become effective.

"The Board also approves the designation of Mr. Peterson as Vice President in charge of the Examination Department."

Approved unanimously, together with a letter to the Joint Committee on Salaries and Wages transmitting the original and four copies of a certificate of the Federal Reserve Bank of St. Louis with respect to an increase in the annual salary of Clifford Wood of the Little Rock Branch as approved by the Board in the above letter.

Letter to Mr. Caldwell, Chairman of the Federal Reserve Bank of Kansas City, reading as follows:

"The Board of Governors approves payment of salaries to the officers of the Federal Reserve Bank of Kansas City for the

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"period beginning June 1, 1944, at the following rates, which are the rates fixed by your Board of Directors, as reported in your letter of May 23:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
H. G. Leedy	President	\$20,000
Henry O. Koppang	First Vice President	15,000
Raymond W. Hall	Vice President, General Counsel and Secretary	14,000
Charles O. Hardy	Vice President	12,000
D. W. Woolley	Vice President and Cashier	9,700
John Phillips, Jr.	Assistant Vice President	8,500
G. A. Gregory	Assistant Vice President	6,600
E. P. Tyner	Assistant Cashier	7,200
M. W. E. Park	Assistant Cashier	6,500
E. U. Sherman	Assistant Cashier	5,100
T. Bruce Robb	Manager, Statistical Division	6,000
C. E. Sandy	Auditor	6,000
<u>Denver Branch</u>		
J. E. Olson	Vice President	10,000
S. A. Brown	Cashier	5,700
H. L. Stempel	Assistant Cashier	4,800
<u>Oklahoma City Branch</u>		
G. H. Pipkin	Vice President	10,000
R. L. Mathes	Cashier	5,700
L. B. Davenport	Assistant Cashier	4,800
<u>Omaha Branch</u>		
L. H. Earhart	Vice President	10,000
O. P. Cordill	Cashier	6,600
U. S. Berry	Assistant Cashier	4,800

"It is noted that the salaries of all officers were fixed by the Board of Directors for the period June 1, 1944, to December 31, 1944, inclusive, pending advice from the Board of Governors with respect to salaries of the President and First Vice President, which are now at the maximums established for those positions. In accordance with the established procedure of approving salaries for the regular salary year, the approval of salaries as given herein will continue for the period ending May 31, 1945, if the directors extend the salaries at the same rates for the period January 1 to May 31, 1945, inclusive. It is understood, of course, that if for any reason changes in salaries are deemed appropriate before the expiration of that period, the Board will consider such proposals whenever submitted.

"The increase in the salary of Mr. Cordill, Cashier, Omaha Branch, will require certification to the Joint Committee under the salary stabilization regulations and approval of his salary is subject to receipt of an appropriate certificate to support the increase."

Approved unanimously.

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Letter to the board of directors of the "Farmers & Merchants Bank of Orfordville", Orfordville, Wisconsin, stating that, subject to conditions of membership numbered 1 to 3 contained in the Board's Regulation H, the Board approves the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Chicago.

Approved unanimously, together with a letter to Mr. Young, President of the Federal Reserve Bank of Chicago, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of the 'Farmers & Merchants Bank of Orfordville', Orfordville, Wisconsin, for membership in the Federal Reserve System, subject to the conditions prescribed in the enclosed letter which you are requested to forward to the Board of Directors of the institution. Two copies of such letter are also enclosed, one of which is for your files and the other of which you are requested to forward to the Chairman, Banking Commission for the State of Wisconsin, for his information.

"Since the amount of estimated losses shown in the report of examination for membership is relatively small, the usual condition of membership requiring elimination of losses has not been prescribed. It has been noted, however, that the losses will be charged off upon receipt of instructions from the State Banking Department and it is assumed that this will be done. It has been noted, also, that you expect to follow the matter of the bank's bringing into conformity with the provisions of law and the Board's regulations the savings account listed on page 16 of the report of examination for membership and the requirements with respect to notice of withdrawal of savings deposits."

Letter to the board of directors of "The Commercial State Bank", Pocahontas, Iowa, stating that, subject to conditions of membership numbered 1 to 6 contained in the Board's Regulation H, the Board approves the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Chicago. The

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letter also contained the following special comment:

"The Board is prescribing the conditions of membership ordinarily prescribed for banks exercising fiduciary powers when they are admitted to membership, and it will not be necessary under condition of membership numbered 1 to obtain the permission of the Board before resuming the exercise of such powers. It will be expected, of course, that when such business is under taken, your bank will be equipped to handle it in a proper manner."

Approved unanimously, for transmission through the Federal Reserve Bank of Chicago.

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

"Retel. Board extends to July 5, 1944, the time within which 'Pierceton State Bank', Pierceton, Indiana, may accomplish membership in the System."

Approved unanimously.

Letter to Mr. Gilbert, President of the Federal Reserve Bank of Dallas, reading as follows:

"The Board has no objection to the reproduction of Mr. Stroud's analysis of the Brown-Maybank bills in the manner outlined in your letter of May 27, 1944.

"However, in giving permission to publish, it might be well to suggest that it appear in the publication that the request came from the Association."

Approved unanimously.

Letter to Mr. C. N. Nichols of the Northeastern Roofing, Siding and Insulating Contractors Association, Inc., New York, New York, reading as follows:

"This is with reference to your letter of May 18, 1944 to Dr. Parry following previous letters and conversations concerning the possible amendment of Regulation W to include as one of the items excepted from the credit restrictions, for fuel-conservation reasons, the material commonly referred to as 'insulated brick siding'.

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"The Board has recognized the problem presented by the fuel shortage, which promises to be even more severe next winter than last, and has carefully considered the advisability of changing the regulation. The Board does not believe, however, that it would be justified in doing so.

"The core of the matter, as you know, is that Regulation W is one of the measures being taken as a part of the program to restrain inflation. Credit extended for any purpose whatever adds to the purchasing power of the public and the pressure for higher prices. If an individual obtains long-term credit for the application of siding, for example, however desirable that work may be, the demand for siding is increased, and also, and this is perhaps more important, he has more money to spend currently on other goods because of the small size of his monthly payments for the siding. From the point of view of those interested in keeping inflation from getting out of hand, it is better that the limited supplies of goods be purchased by those who are willing to pay cash or to limit themselves to credit of short duration.

"The Board has made a number of exceptions to Regulation W. In each case, however, it did so because the special circumstances involved were considered to justify a sacrifice of the anti-inflation objective to the extent of the exception. When the various government agencies joined in a fuel conservation program, the Board recognized the importance of saving fuel and made exceptions which appeared likely to contribute substantially to this program. At the same time, nevertheless, in line with the principle stated, the Board did not except all activities that became a part of the program or had some relation to it.

"In judging the case for the exception of 'insulated brick siding', the Board has been influenced by the following considerations:

(1) The evidence does not indicate that the exception would result in substantially more production of the material and consequently more fuel saving than would otherwise be the case; the exception would merely facilitate the channeling of the material that is produced to customers who use long-term credit instead of cash or short-term credit.

(2) The amount of fuel saved by the use of this material, as distinguished from other materials more highly specialized to this purpose or from other types of fuel-conservation activities, would not be substantial in comparison with the cost involved and consequently with the amount of credit generated.

(3) The exception would introduce administrative difficulties that more than outweigh the good to be accomplished.

"This will indicate to you why we have not seen our way clear to excepting all types of activities that in one way or another save some determinable amount of fuel. We must draw the line at

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"some point, and it has appeared expedient with regard to insulation to draw the line between the inside and outside of the structure. We believe this rule has worked reasonably well so far.

"You will understand that this decision in no way implies any reflection upon the value of this product for the general purposes for which it is designed. It deals only with the question of whether or not it should be classed with those materials for which an exception from Regulation W can at this time be justified in view of all of the circumstances."

Approved unanimously.

Letter to the Federal Reserve Agent at the Federal Reserve Bank of New York and to the Federal Reserve Bank of New York reading as follows:

"Reference is made to the letter dated May 26, 1944, from the Federal Reserve Bank of New York and the photostatic copy enclosed therewith of letter dated April 27, 1944, from the Acting Secretary of the Treasury to the Federal Reserve Bank of New York, both relating to the adjustment, proposed by the Treasury Department, of the loss covered by the Government Losses in Shipment Act of \$407,000 of Federal Reserve notes of the Federal Reserve Bank of New York included in two registered mail shipments made by the bank in April, 1942, for account and risk of the Treasury Department to the Virgin Islands and Puerto Rico.

"The Board of Governors approves of the proposed transaction referred to in such letters whereby, in accordance with the request contained in the letter from the Acting Secretary of the Treasury and in consideration of the agreement on behalf of the United States as set forth in such letter, the account of the Treasurer of the United States on the books of the Federal Reserve Bank of New York will be credited \$407,000 in payment of such Federal Reserve notes owned by the United States which have been lost as described in the letter of the Acting Secretary of the Treasury and the amount of the liability of the Federal Reserve Bank of New York for its outstanding Federal Reserve notes will be reduced accordingly by \$407,000, and authorizes the Federal Reserve Agent at the Federal Reserve Bank of New York, or the Assistant Federal Reserve Agent in behalf of the Federal Reserve Agent, to make the entries as described in clause numbered (3) of the letter dated May 26, 1944, of the Federal Reserve Bank of New York, and such other entries and records as may be necessary, incidental, or appropriate in connection with or in relation to such transaction. The reduction of the amount of the liability of the Federal Reserve

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"Bank of New York for its outstanding Federal Reserve notes as aforesaid will, of course, reduce by \$407,000 the amount of collateral security required to be held by the Federal Reserve Agent at the Federal Reserve Bank of New York for outstanding Federal Reserve notes."

Approved unanimously.

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

"Referring to our letter of May 13, 1944, there is enclosed a copy of a confidential memorandum from Mr. Smead to the Board of Governors with regard to the use of Hawaiian overprinted Federal Reserve notes in the South Pacific.

"We shall keep in touch with the Treasury regarding this matter and will advise you of any new developments as they occur."

Approved unanimously, the memorandum enclosed with the letter, which was noted by the Board without objection, reading as follows:

"In view of the continuing increase in the amount of Federal Reserve notes of the Federal Reserve Bank of San Francisco being overprinted for use in Hawaii and the South Pacific, Governor Szymczak and I went to Mr. Bell's office on Monday afternoon, May 29, for the purpose of discussing probable future demands for such currency with him and his associates. In addition to Mr. Bell, Governor Szymczak and myself, there were present Mr. Broughton, Commissioner of the Public Debt, Mr. Barnes, Executive Assistant to the Treasurer of the United States, and Mr. Heffelfinger, Executive Assistant to Mr. Bell.

"To date there have been \$276,240,000 Federal Reserve notes of the Federal Reserve Bank of San Francisco overprinted with the word 'Hawaii', \$70,000,000 of which were ordered on May 13, following a request for a substantial amount of currency (I believe around \$45,000,000) by the Navy for use in the South Pacific. There are now \$180,083,000 of such notes in circulation.

"Mr. Bell stated that he has discussed the question of the kind of currency to be used in the South Pacific with the State Department and the Army and Navy and that probably some form of yen currency will be adopted for use in that area. No decision in the matter has yet been reached, however, and Mr. Bell suggested that we let the present procedure continue for a few weeks more. He said that he did not believe that the amount of Hawaiian overprinted currency in circulation would reach an

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"amount in excess of \$250,000,000. It was recognized that any such estimate is based on conditions as they now see them and that the picture may change substantially at any time.

"We discussed alternate procedures such as the issuance of Federal Reserve Bank notes, the issuance of silver certificates against the seigniorage value of silver bullion now held by the Treasury, and the possibility of having Federal Reserve notes of some Federal Reserve Bank other than San Francisco overprinted with the word 'Hawaii'.

"Governor Szymczak agreed with Mr. Bell's suggestion that on the whole it would be best to mark time for a few weeks with the hope that some agreement would be reached shortly with respect to the kind of invasion or occupation currency to be used in the South Pacific."

Thereupon the meeting adjourned.

Chester Morrie
Secretary.

Approved:

Donald Ransom
Vice Chairman.