

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

PRESENT: Mr. Eccles, Chairman  
Mr. Ransom, Vice Chairman  
Mr. Draper

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:

Telegrams to Messrs. Treiber and Clouse, Secretaries of the Federal Reserve Banks of New York and Cleveland, respectively, Mr. Leach, President of the Federal Reserve Bank of Richmond, Mr. Dillard, Secretary of the Federal Reserve Bank of Chicago, Messrs. Powell and Koppang, First Vice Presidents of the Federal Reserve Banks of Minneapolis and Kansas City, respectively, and Messrs. Coleman and Earhart, Vice Presidents of the Federal Reserve Banks of Dallas and San Francisco, respectively, stating that the Board approved the establishment without change by the Federal Reserve Bank of San Francisco on August 8 and by the Federal Reserve Banks of New York, Cleveland, Richmond, Chicago, Minneapolis, Kansas City, and Dallas on August 10, 1944, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Letter to the "Custer County Bank", Challis, Idaho, reading

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as follows:

"The Board is glad to learn that you have completed all arrangements for the admission of your bank to the Federal Reserve System and takes pleasure in transmitting herewith a formal certificate of your membership.

"It will be appreciated if you will acknowledge receipt of this certificate."

Approved unanimously.

Letter prepared for the signature of Chairman Eccles to Honorable Ganson Purcell, Chairman of the Securities and Exchange Commission, reading as follows:

"We wish to thank you for sending us, as requested sometime ago by Governor Draper, your views and the views of the Commission concerning the proposal to increase the margin requirements (for purchases of securities) from the 40-per-cent level to 50 per cent. Your letter of August 4 is being brought to the attention of the members of our Board and you may be sure that they will take these views into careful account as we continue our consideration of the matter and before we arrive at a decision."

Approved unanimously.

Letter to Honorable A. W. Hall, Director of the Bureau of Engraving and Printing, reading as follows:

"Reference is made to your July 31 letter regarding estimated printing requirements for Federal Reserve notes during the fiscal year 1946.

"It is noted from your letter that you are using the estimate previously given you for assumption (1) stated in your letter, i.e., that the war will continue on both fronts throughout the fiscal year 1946.

"It is extremely difficult to make any worthwhile estimates under your assumptions (2), (3), or (4). For your present purposes, however, we would suggest that you use 24,000,000 sheets under assumptions (2) and (3)

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"and 15,000,000 sheets under assumption (4)."

Approved unanimously.

Letter prepared for the signature of Mr. Ransom to Honorable Leo T. Crowley, Chairman of the Federal Deposit Insurance Corporation, reading as follows:

"This is to acknowledge your letter of August 5, 1944. You are correct in your understanding that we desired the information outlined in our letter of July 11, 1944, for our use in responding to questions raised at the hearings on H. R. 3956.

"One of the contentions of those favoring the Bill was that nonpar banks could not continue to charge exchange unless correspondent banks continued to absorb the exchange charged and that exchange charges constitute a vital source of their income. Indeed, it was contended that, if the Bill did not pass, a large number of nonpar banks might be forced to discontinue business. You will recall that in this connection Representative Patman, during the hearings, made a request that statistics be furnished the Committee from which the earnings and operations of the 2500 nonpar banks could be compared with the earnings and operations of 2500 par banks of like size operating under similar conditions. We recognized the difficulty of making such a comparison because, obviously, banks cannot be compared merely on the basis of size alone and there is not in the case of each nonpar bank a corresponding par bank in the same community comparable in size as well as in the other factors necessary to make a fair comparison.

"There are, however, a number of cases where comparable par and nonpar banks are in competition in the same city or town. These cases, of which there are some 150 scattered in all of the nonpar areas, would seem to afford a real basis for comparison and a fair test of the contention. Recently, members of the Corporation's staff requested and we supplied reports of State member banks which, at the time of the Corporation's request, we noted were located in cities or towns in which there were also nonpar banks. We assumed that the purpose was to pursue the question from this angle and have been interested in learning the results of the study.

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"The fact that, in all of the nonpar areas, par banks do live alongside of nonpar banks in the same cities or towns would seem definitely to establish that nonpar banks not only could but that comparable institutions do live without charging exchange. However, the matter of how well par and nonpar banks located in the same areas do live and a comparison of their respective methods of operations are questions of mutual interest to the Corporation and the Board, irrespective of our differences as to the merits of the pending legislation. Moreover, this particular issue was raised by a member of the Banking and Currency Committee of the House during consideration of the legislation. It is and has been our view that the Congress is entitled to have whatever information the federal banking agencies are able to furnish that will throw light on this controversial subject and be helpful to the Congress in determining the kind of legislation that should or should not be enacted.

"Accordingly, after reviewing the record of the hearings in order to ascertain which banks, among those sponsoring the Bill, were located in cities or towns in which there was also a member bank and to see how the operations of the two classes of banks compared in these particular cases, we addressed to the Federal Deposit Insurance Corporation our letter of July 11, 1944, requesting the information necessary to make the comparison.

"In light of your reply of August 5, however, expressing a view contrary to our own, we will consider the matter closed."

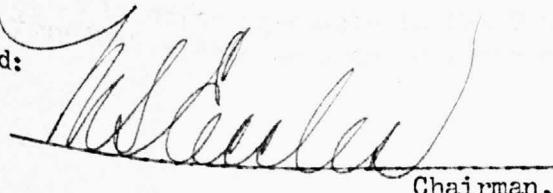
Approved unanimously.

Thereupon the meeting adjourned.



Assistant Secretary.

Approved:



Chairman.