

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, December 7, 1944, at 11:00 a.m.

PRESENT: Mr. Eccles, Chairman  
Mr. Ransom, Vice Chairman  
Mr. Szymczak  
Mr. McKee  
Mr. Draper  
Mr. Evans

Mr. Morrill, Secretary  
Mr. Hammond, Assistant Secretary  
Mr. Clayton, Assistant to the Chairman  
Mr. Thurston, Special Assistant to the Chairman  
Mr. Smead, Director of the Division of Bank Operations  
Mr. Paulger, Director of the Division of Examinations  
Mr. Leonard, Director of the Division of Personnel Administration  
Mr. Vest, Assistant General Attorney  
Mr. Cagle, Assistant Director of the Division of Examinations  
Mr. Gardner, Chief, International Section, Division of Research and Statistics  
Miss Bourneuf, Associate Economist, Division of Research and Statistics

Mr. Evans introduced discussion of a proposal that the Board adopt the general policy of not appointing as a Class C director or as a director of a branch of a Federal Reserve Bank a person who was 70 years of age or more or would reach that age by the end of his term. He explained that this would be similar to the Board's policy with respect to Presidents and First Vice Presidents of the Banks. He believed that the proposal was a moderate one. In reply to a question raised by Mr. McKee as to whether it was advisable to adopt a rigid ruling, the Chairman expressed the opinion that the recommended

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procedure would avoid awkward situations and that loss to the System on account of men who might otherwise continue to serve despite their age would be exceptional.

Upon motion by Mr. Evans and by unanimous vote, the policy proposed by him was approved.

With respect to the reply to be prepared in accordance with the action taken by the Board on November 24, 1944, to the letters received by individual members of the Board from Senator Murray, Chairman of the Senate Small Business Committee, Mr. Draper reminded the Board that a draft had been circulated for suggestions, a number of excellent suggestions had been received, and the draft was being revised accordingly. He pointed out that the letter supported the policy of the Wagner-Spence bill. There was some discussion as to whether a comprehensive reply to the Senator's letter should be deferred till a time when it might be more effective than at present.

Upon motion by Mr. McKee and by unanimous vote, the matter was referred to the War Loans Committee with power to act.

Mr. McKee discussed the application of the Hamilton National Associates, Inc., Chattanooga, Tennessee, for a limited voting permit, to vote the stock of Hamilton National Bank, Chattanooga, Tennessee, and stated that he felt that there should be no departure in this case from the Board's general policy which was adopted in 1935 and reaffirmed in December 1936. He explained that the applicants had not demonstrated their willingness to comply with conditions which would

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be necessary to obtain a regular permit. There was a general discussion in which the other Board members agreed with the position taken by Mr. McKee.

Upon motion by Mr. McKee it was agreed unanimously that the application should be denied.

Messrs. Smead, Paulger, Leonard, and Cagle withdrew from the meeting after the foregoing discussion.

Mr. Szymczak stated that it had been learned yesterday that a meeting of technical staff members was to be held at 11:00 a.m. Friday, December 8, 1944, at the Treasury for consideration of the Treasury draft of enabling legislation with respect to the Bretton Woods agreement, that copies of the draft had been delivered to the Board only yesterday afternoon, that it was expected that Mr. Goldenweiser, Mr. Gardner, and Miss Bourneuf would attend the meeting, and that accordingly they should have the benefit of the Board's views on important provisions of the draft. A summary of a number of questions raised by the draft was read.

In considering the composition of the inter-agency committee (International Financial Organizations Board), question was raised as to why the Treasury draft included representation by the Commerce Department, the Foreign Economic Administration, and the Securities and Exchange Commission, and strong preference was expressed for the Board's idea that the inter-agency committee should comprise only three members,

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representing the Treasury, the State Department, and the Board of Governors.

At this point, Mr. Gardner said that he had just been informed that the Treasury meeting had been postponed until December 13, 1944.

The Chairman said that it was not apparent why the Commerce Department, the Foreign Economic Administration, and the Securities and Exchange Commission could be included with any more justification than, for example, the Department of Agriculture and the Labor Department; while, on the other hand, the Treasury, the State Department, and the Board of Governors clearly have an immediate interest in the operations of the Fund and the Bank because of the nature of their main responsibilities. When Mr. Gardner pointed out that it would be awkward in an open meeting to present the Board's objections to the inclusion of representatives of the other agencies, the suggestion was made that he might present the Board's views informally to the Treasury and the State Department in advance of the meeting and see what their reaction was.

Question was also raised as to the provisions for the Governors and Executive Directors, the point being made that this apparently meant provision for as many as four separate appointees, each with an alternate, but that it might be possible to have the same person hold two or more appointments simultaneously. The wisdom of providing for so many separate incumbents was questioned, and at the same time there

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was doubt expressed as to how Congress would be disposed toward a bill which would leave it open to the President to decide whether to select separate appointees or to make any combination that he might desire. In this connection it was suggested that the Governors and Directors should serve at the pleasure of the President.

With respect to the functions of the inter-agency committee, the thought was expressed by the Chairman that it should be advisory only with respect to the actions which the Executive Directors and Governors were authorized to take in their capacities as such, but that it should determine the policy which should be followed in cases where the United States as a member might be called upon to act, except the cases specifically reserved for decision by Congress. The Chairman also raised the question whether the advisory committee should not be eliminated, because it would be a factor making for confusion and for cumbersome procedure, as well as possible embarrassment to the Governors, Directors, and inter-agency committee. He also questioned whether the present U. S. Stabilization Fund should not be discontinued. It was pointed out that the language of the bill was somewhat vague in regard to this fund. Mr. McKee suggested that the legislation at some point should call for annual reports to Congress.

As the discussion proceeded, it became the consensus that the Treasury draft was unsatisfactory in a number of respects and that a substitute draft should be prepared and submitted to the Treasury with a statement of the Board's objections to the Treasury's draft and its

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reasons in support of its own.

The discussion was concluded without complete consideration of all points, and the matter was referred to Mr. Szymczak and members of the staff for further study and the preparation of material for submission to the Treasury on the basis of the discussion at this meeting.

At this point Messrs. Thurston, Vest, and Gardner, and Miss Bourneuf withdrew from the meeting.

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 December 6, 1944, were approved unanimously.

Memorandum dated December 4, 1944, from Mr. Paulger, Director of the Division of Examinations, recommending that the basic salary of Mrs. Nancy R. Porter, a clerk-stenographer in that Division, be increased from \$2,040 to \$2,160 per annum, effective December 16, 1944.

Approved unanimously.

Memorandum dated December 5, 1944, from Mr. Paulger, Director of the Division of Examinations, recommending that Miss Virginia E. Leaman be appointed as a stenographer in that Division on a temporary basis for an indefinite period, with basic salary at the rate of \$1,620 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, and with the understanding that she will



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become a member of the Board's retirement system.

Approved unanimously.

Memorandum dated December 5, 1944, from Mr. Bethea, Director of the Division of Administrative Services, submitting the resignation of Mrs. Dorothy Rogers as a charwoman in that Division, to become effective as of the close of business on December 4, 1944, and recommending that the resignation be accepted as of that date.

The resignation was accepted as recommended.

Letter to the "First National Bank in Fairmont", Fairmont, West Virginia, reading as follows:

"The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers, and grants you authority to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State of West Virginia, the exercise of all such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

"This letter will be your authority to exercise the fiduciary powers granted by the Board pending the preparation of a formal certificate covering such authorization, which will be forwarded to you in due course."

Approved unanimously.

Telegram to Mr. Hodge, Assistant General Counsel of the Federal Reserve Bank of Chicago, reading as follows:

"Replying your telephonic inquiry, section 8(m) of

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"Regulation W entitled 'Fuel Conservation Credits' does not exempt credit to finance installation of insulating board used for structural purposes, as for example, in making partitions or in lining off of the interior of rooms, rather than for insulation. As you have pointed out, this view is in harmony with Interpretation 7 of Conservation Order L-41 of War Production Board and views expressed by American National Bank, Chicago, in their circular issued September 12, 1944."

Approved unanimously.

Letter to Mr. Charles R. Erdman, Jr., Commissioner, Department of Economic Development, State of New Jersey, Trenton, New Jersey, reading as follows:

"This will acknowledge your letter of November 29, 1944, suggesting that Regulation W be amended to exempt from its provisions any loan made under the New Jersey Veterans' Business Loan Act of 1944.

"We would like to study this problem in some detail as other States besides New Jersey may be involved and there may be several ways in which the difficulties can be overcome. It would assist us if you could give us information concerning the types of loans you expect to guarantee that would be within the scope of Regulation W. We should also like to know how your activities will be related to the Federal loan guarantee program, in view of section 9(e) of the New Jersey Act which provides for a finding that the loan is necessary in addition to all Federal benefits available for the purpose."

Approved unanimously.

Thereupon the meeting adjourned.

Greta Mowbray  
Secretary.

Approved:

W. S. C. C.  
Chairman.