

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, January 19, 1945, at 10:30 a.m.

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

Mr. Morrill, 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. Smead, Director of the Division of Bank Operations
Mr. Wyatt, General Counsel
Mr. Gardner, Chief of the International Section of the Division of Research and Statistics
Mr. Triffin, Economist in the Division of Research and Statistics
Mr. Thorne, Economist in the Division of Research and Statistics
Mr. Grove, Economist in the Division of Research and Statistics

There were presented telegrams to Mr. Flanders, President of the Federal Reserve Bank of Boston, Messrs. Treiber and McCreedy, Secretaries of the Federal Reserve Banks of New York and Philadelphia, respectively, Mr. McLarin, President of the Federal Reserve Bank of Atlanta, Mr. Dillard, Vice President of the Federal Reserve Bank of Chicago, Mr. Stewart, Secretary of the Federal Reserve Bank of St. Louis, and Messrs. Hall and Earhart, Vice Presidents of the Federal

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Reserve Banks of Kansas City and San Francisco, respectively, stating that the Board approved the establishment without change by the Federal Reserve Banks of St. Louis and San Francisco on January 16, by the Federal Reserve Bank of Atlanta on January 17, by the Federal Reserve Banks of New York, Philadelphia, Chicago, Kansas City, and San Francisco on January 18, and by the Federal Reserve Bank of Boston today, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Mr. Szymczak stated that a meeting of the Conference of Chairmen of the Federal Reserve Banks had been called to convene in Washington on March 11-12, 1945, and he inquired what the views of the Board were with respect to whether, in view of the request of Mr. Byrnes, Director of War Mobilization and Reconversion, that travel be curtailed as much as possible, the meeting should be held.

All of the members of the Board present were in agreement that the suggestion should be made that the meeting be canceled, with the understanding, however, that if anything should develop which, regardless of the restrictions on travel, made it desirable that a meeting of the Chairmen be held such a meeting should be called.

In connection with the above matter, reference was made to the practice which had been followed by the Federal Advisory Council for some time of having monthly meetings of the executive committee of the Council in Washington, and the question was raised whether, in view of

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Mr. Byrnes' request, that practice should be continued.

There was unanimous agreement that Chairman Eccles should suggest to Mr. Brown, President of the Council, that the meetings of the executive committee be discontinued for the time being.

There was then presented a letter dated January 11, 1945, from Mr. Lichtenstein, Secretary of the Federal Advisory Council, stating that the next meeting of the Council would be held in Washington, on February 18-19, 1945, and requesting a list of the subjects which the Board wished the Council to discuss at that time.

Mr. Morrill was requested to advise Mr. Lichtenstein that the Board had no items to suggest for consideration by the Council at its meeting.

In accordance with the action taken at the meeting of the Board on December 18, 1944, and at Mr. Smead's request, a memorandum was prepared by Mr. Daniels, Technical Assistant in the Division of Bank Operations, under date of January 11, 1945, relating to the steps that might be taken, in the light of the present limitation in the law on the cost of Federal Reserve branch buildings, to provide adequate space facilities at the branches. The memorandum had been circulated among the members of the Board, and Mr. McKee suggested that action on any request for legislation in this connection be postponed until other legislation of interest to the System, such as the reduction of the Federal Reserve ratio and the Bretton Woods Agreements, was out of the

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way, with the thought also that legislation could be more effectively presented when the labor and material situation warranted resumption of building operations.

Inasmuch as the matter of legislation authorizing new, or additional space in connection with existing, branch buildings was not an urgent matter, the other members of the Board were in agreement with this suggestion and, upon motion by Mr. Szymczak, it was decided to proceed on that basis with the understanding that a letter to the Federal Reserve Banks advising them accordingly would be prepared and sent upon approval by Mr. Szymczak.

Mr. Szymczak stated that Mr. Triffin was prepared to submit a report at this meeting on his recent visit to Paraguay and other Latin American countries. Since it would take more time than was available this morning to complete the report, it was agreed that Mr. Triffin should report today on his work in Paraguay and defer the remainder of the report until a meeting of the Board next week when Mr. Evans would have returned to Washington.

The substance of Mr. Triffin's very enlightening and well presented report was contained in two memoranda prepared by him under the subjects "Report on Latin American Mission" and "Second Mission to Paraguay". Copies of the memoranda were sent to members of the Board before this meeting.

During the presentation of the report Mr. Hansen, Special Adviser to the Board, joined the meeting.

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After presenting his statement Mr. Triffin referred to a number of questions on which he said it would be desirable if the Board could reach conclusions promptly.

The first of these questions was the response to be made to the request of the Central Bank of Bolivia that the services of Mr. Triffin be made available to assist in the preparation of a new monetary and banking law for that country.

Mr. Morrill stated that a letter to the Manager of the Central Bank of Bolivia in connection with this matter was approved by the Board yesterday.

In response to an inquiry, Mr. Szymczak said that the State Department had been kept fully informed of this matter but that it had not been taken up with the Treasury. He also said that Mr. Triffin was going to New York next week and at that time would inform the Federal Reserve Bank of New York fully regarding it.

Chairman Eccles stated that earlier in the week, when Mr. Sproul was here in connection with a meeting of the members of the executive committee of the Federal Open Market Committee, he referred to the activity of the Board in foreign affairs and expressed his feeling that it would be very helpful if the Federal Reserve Bank of New York were kept fully informed regarding such matters. Mr. Sproul felt, Chairman Eccles said, that this was necessary because of the operating responsibility of the Federal Reserve Bank of New York in the foreign

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field. Chairman Eccles added that he was in agreement that the Board should keep the New York Bank advised and that he had so informed Mr. Sproul.

For the information of the Board, Mr. Gardner stated that when the question of someone going to Paraguay first arose the matter was taken up with the Federal Reserve Bank of New York, and that its importance was emphasized because of the possibility of similar requests from other Latin American countries. He said that the possibility of a member of the staff of the New York Bank participating in the mission was discussed but the officers felt that no one from the Bank could be spared at the time, that following the return of Mr. Triffin from his first trip to Paraguay it was suggested that Mr. Wallack of the New York Bank participate in further discussions, but that the position was taken in New York that he could not be spared for that purpose.

Mr. Szymczak stated that he had taken particular pains to see that the New York Bank was kept fully informed.

Reference was made in this connection to the fact that Mr. Eckert of the Federal Reserve Bank of Cleveland had accompanied Mr. Triffin on his second visit to Paraguay, but that that arrangement had not worked out, and Mr. Grove of the Board's staff had been sent to Paraguay to replace Mr. Eckert.

There was agreement on the part of the members of the Board

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that the Federal Reserve Bank of New York should be kept informed and that the Bank should follow a similar policy of keeping the Board advised of its activities in the foreign field. In this connection Mr. Szymczak stated that he had been informed that in two or three instances the Federal Reserve Bank of New York had sent men to Washington to work with various agencies of Government, at the latter's request, in the preparation of material for the agencies and in at least one case the position had been taken by the representative of the Bank who had come to Washington that a copy of the report which he had prepared and which had been furnished to the New York Bank was confidential and could not be made available to the Board.

Chairman Eccles suggested a list be made of all of these matters and that they be taken up with Mr. Sproul when he was in Washington next week in connection with a further discussion of Treasury financing.

This suggestion was agreed to and it was understood that Mr. Gardner would prepare a draft of memorandum of matters to be discussed with Mr. Sproul.

Chairman Eccles also said that it appeared from Mr. Triffin's report that he had been helpful in setting up in Paraguay a monetary and banking law, based upon practical consideration of the conditions as they existed in that country, which would serve the needs of the country more satisfactorily than the banking and monetary system in

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the United States was serving the needs of this country, and that this raised the question in his mind whether it might be well for the Board to give consideration to the drafting of a complete program which would be effective in meeting the banking and monetary problems of this country, with a view to its submission to Congress with or without the recommendations of the Board.

Mr. Szymczak stated it was planned to publish the substance of Mr. Triffin's report on his visit to South America in a forthcoming issue of the Federal Reserve Bulletin.

The next point referred to by Mr. Triffin was the request from Salvador that the Board select an expert in mortgage financing to work on the reorganization of the mortgage bank in that country.

He also referred to the request from the Director General of the central bank of Mexico that someone from the Board's staff go to Mexico City to assist in the arrangements for a conference of staff representatives of the central banks in the Western Hemisphere.

It was stated that the Board had decided to defer action on this matter until after the return of Mr. Evans to Washington.

Mr. Triffin then stated that he had had some discussions with Messrs. Ness and Bernstein of the Treasury Department with a view to working out a plan for exchange controls which would be in harmony with the procedures contemplated in the Bretton Woods Agreements as well as

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acceptable generally in Latin American countries, and that he would like to know whether there would be any objection to his continuing those discussions.

All of the members present indicated that the continuation of the discussions would meet with their approval.

Mr. Triffin then stated that the recent decision of the Treasury not to renew the license of the central bank of Argentina to ship gold from this country had had serious repercussions in that it had played into the hands of the political enemies of the central bank and had furnished them with an excuse to urge adoption of legislation which, in effect, would destroy the central bank and take away its important functions. He said that while the matter was not important from an economic standpoint it might have very serious effects so far as the central bank was concerned and our relations in the central banking field. He went on to say that he discussed the matter with the American Embassy when he was in Argentina with the result that the Embassy sent a strong telegram to the State Department in Washington, but that apparently the matter had not been acted upon by the State Department.

There was unanimous agreement that Mr. Triffin should prepare a confidential memorandum on the matter which would be sent to Secretaries Morgenthau and Stettinius and that when the letters were ready to go Mr. Triffin would advise Mr. Bernstein, who handles matters in the Treasury relating to the export of gold,

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that the letter was going to the Treasury and inform him as to the background.

Mr. Szymczak then stated that a telegram had just been received from the Federal Reserve Bank of New York stating that, for the reasons given in the telegram, the board of directors had authorized the officers of the Bank, subject to the approval of the Board of Governors, to make a loan or loans at any time or from time to time to the Banco Nacional de Costa Rica, subject to the terms and conditions set forth in the telegram, and that it was his recommendation that the following telegram be sent to Mr. Knoke, Vice President of the Federal Reserve Bank of New York, advising of the Board's approval:

"Retel January 18 Board of Governors approves your bank's making loan or loans at any time and from time to time to Banco Nacional de Costa Rica - Issue Department, San Jose, Costa Rica, on the following terms and conditions:

- (A) The amount to be advanced not to exceed \$1,000,000 in the aggregate at any one time outstanding; such loans to be made up to 98 per cent of the value of the refined gold bars held by you in your vaults as collateral;
- (B) Such loans to run for three months, but no loan to mature later than January 31, 1946;
- (C) Interest to be at the rate of 1 per cent per annum on the amounts actually advanced;
- (D) The amount advanced at any time to be in round amounts of not less than \$50,000."

Approved unanimously.

Chairman Eccles stated that he had had prepared a letter to Senator Wagner, Chairman of the Senate Committee on Banking and Currency,

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reading as follows, and a similar letter to Congressman Spence, Chairman of the House Committee on Banking and Currency, and that in the absence of objection on the part of the other members of the Board, the letters would be sent:

"You advised me in our recent conversation that you were desirous of reintroducing the Wagner-Spence bill, S. 1918 of the last session, which would amend section 13b of the Federal Reserve Act. As you know, Chairman Spence introduced this bill on January 3, 1945, as H. R. 591.

"You will recall that during the course of the hearings before your Committee, I suggested some amendments which I thought would make the bill more specific and acceptable. The members of the Committee expressed approval of these amendments. Thinking that you would prefer to introduce the bill with these amendments incorporated in it, I am enclosing herewith a redraft of the bill with amendments covering the following:

1. Limiting the percentage of guarantee or commitment on any loan to 90 per cent.
2. Limiting the aggregate amount of outstanding guarantees or commitments at any time to four times the then existing amount of the fund.
3. Terminating the authority of the Federal Reserve Banks to make further guarantees or commitments after December 31, 1949.

"In addition to the foregoing amendments which were discussed during the hearings, an amendment is added as follows:

4. Authorizing the Board of Governors to define certain terms used in the bill.

"This last amendment has been added in order to satisfy some doubts recently expressed as to the meaning of some of the terms used in the bill.

"As you are no doubt aware, this legislation was strongly recommended by Honorable James F. Byrnes, Director of War Mobilization and Reconversion. In his report to the Congress dated January 1, 1945, it is stated on page 14:

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"SMALL BUSINESS FINANCING.

'Small business has been the backbone of American prosperity. Its future requires the establishment of a readily available source of credit. The Wagner-Spence bill has this purpose in view. In revoking the present authority of the Federal Reserve banks to make loans direct to industry, it substitutes authority for them to guarantee the principal and interest of loans by commercial banks to business enterprise. It, or other forms of legislation to this end, deserves the immediate consideration of the Congress.'

"Moreover, on January 9, at Mr. Byrnes' request, I met with him and his Advisory Committee to discuss this legislation in detail and, as a result of this discussion, I am in a position to advise you that both Mr. Byrnes and his Committee favor its prompt enactment.

"In view of the foregoing, it is my hope that at your early convenience you will reintroduce the bill in the form enclosed and that it will receive the prompt and favorable consideration of the Senate Banking and Currency Committee."

No objection was expressed by any of the members of the Board to the sending of the letters.

At this point Messrs. Thurston, Goldenweiser, Smead, Wyatt, Gardner, Triffin, Thorne, Grove, and Hansen withdrew from the meeting.

The action stated with respect to each of the matters herein-after 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 January 18, 1945, were approved unanimously.

Bond in the amount of \$10,000, executed under date of January

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11, 1945, by D. E. Moncrief as Assistant Federal Reserve Agent at the Federal Reserve Bank of Atlanta.

Approved unanimously.

Memorandum dated January 15, 1945, from Mr. Morrill recommending that the following increases in basic annual salaries of employees in the Secretary's Office be approved, effective February 1, 1945:

<u>Name</u>	<u>Designation</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
D. Jeanne Krieger	General Assistant	\$2,800	\$3,000
E. Katherine Meiser	Secretary to Mr. Hammond	2,100	2,300
Louise Thomason	Clerk-Stenographer	1,800	1,920
Marilyn Davis	File Clerk	1,620	1,740
Frances K. Allred	File Clerk	1,620	1,740
Loretta D. Beale	File Clerk	1,680	1,800
Lillie Brow	File Clerk	1,740	1,860
Mary M. Dodge	File Clerk	1,860	1,980
Emily A. McAllister	File Clerk	1,860	1,980
Hazel L. Simpson	File Clerk	1,740	1,860
M. Elizabeth Jones	Supervisor in charge of room 2121	1,920	2,100

Approved unanimously.

Memorandum dated January 17, 1945, from Mr. Bethea, Director of the Division of Administrative Services, recommending that Mrs. Marie Browne be appointed as an elevator operator in that Division on a temporary basis for a period of not to exceed 60 days, with basic salary at the rate of \$1,200 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. The memorandum stated that Mrs. Browne would not become a member of the Board's retirement system

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during the period of her temporary employment.

Approved unanimously.

Letter to Mr. Sproul, President of the Federal Reserve Bank of New York, reading as follows:

"This refers to your letter of January 2, 1945, submitting with your favorable recommendation, the request of J. P. Morgan & Co. Incorporated, New York, New York, that section 5 be eliminated from the agreement proposed to be entered into with the Board of Governors by Morgan & Cie. Incorporated, New York, New York, as a condition precedent to the granting of permission, pursuant to the provisions of section 25 of the Federal Reserve Act, to J. P. Morgan & Co. Incorporated to invest in stock of Morgan & Cie. Incorporated.

"The Board does not believe it desirable at this time to eliminate from the agreement, which is in the form customarily prescribed in such cases, the provisions limiting aggregate liabilities in relation to subscribed capital and surplus. However, after considering the views expressed in your letter, section 5 of the proposed agreement has been modified to read as follows:

'5. Limitations on Total Liabilities

That, except with the permission of the Board of Governors, the aggregate of the Corporation's liabilities outstanding on account of acceptances, monthly average domestic and foreign deposits, debentures, bonds, notes, guaranties, indorsements, and other such obligations shall not exceed 10 times the amount of the Corporation's subscribed capital and surplus, and that in determining the amount of the liabilities within the meaning of this paragraph, indorsements of bills of exchange having not more than 6 months to run, drawn and accepted by others than the Corporation, shall not be included;'

"You may advise J. P. Morgan & Co. Incorporated that upon receipt of a duly executed copy of the proposed agreement,

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"as modified, the Board will write a letter directly to Morgan & Cie. Incorporated stating that it grants permission for that corporation to exceed the limits set in section 5, subject to the provisions of section 8, and provided it will maintain a condition of liquidity consonant with the nature of its liabilities.

"It will be appreciated if you will have prepared a revised form of agreement which is, of course, to be executed in the manner set forth in the last paragraph of the Board's letter of December 14, 1944, to Vice President Rouse."

Approved unanimously.

Letter to the "Citizens Bank & Trust Company", Houma, Louisiana, reading as follows:

"The Board of Governors of the Federal Reserve System has considered the application for permission to exercise fiduciary powers made by you on behalf of the Citizens National Bank & Trust Company of Houma, Louisiana, the national bank into which the Citizens Bank & Trust Company, Houma, Louisiana, is to be converted, and grants such national bank authority, effective if and when it is authorized by the Comptroller of the Currency to commence business, 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 Louisiana, 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.

"After the conversion of the Citizens Bank & Trust Company into the Citizens National Bank & Trust Company of Houma becomes effective and the Comptroller of the Currency authorizes the national bank to commence business, you are requested to have the board of directors of the national bank adopt a resolution ratifying your application for permission to exercise fiduciary powers, and a

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"certified copy of the resolution so adopted should be forwarded to the Federal Reserve Bank of Atlanta for transmittal to the Board for its records. When a copy of such resolution has been received by the Board, a formal certificate covering the national bank's authority to exercise trust powers will be forwarded."

Approved unanimously.

Memorandum dated January 19, 1945, from Mr. Hooff, Attorney in the Legal Division, recommending that there be published in the February 1945 issue of the Federal Reserve Bulletin statements in the form attached to the memorandum with respect to the following subjects:

Consumer Credit
Rural Electrification Credit
Repair or Installation of Coal Stoker

Approved unanimously.

Letter to the Comptroller of the Currency reading as follows:

"It is respectfully requested that you place an order with the Bureau of Engraving and Printing supplementing the order of June 13, 1944, for printing Federal Reserve notes of the 1934 Series in the amounts and denominations stated for the Federal Reserve Bank of San Francisco:

Denominations	Number of sheets	Amount
\$50	45,000	\$27,000,000
500	1,500	9,000,000"

Approved unanimously.

Memorandum to Mr. Bethea, Director of the Division of Administrative Services, reading as follows:

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"For your information there is attached a self-explanatory communication dated January 13, 1945 from James F. Byrnes, Director of the Office of War Mobilization and Reconversion, addressed to Chairman Eccles requesting the issuance of instructions to insure compliance with the program with respect to reduction of maximum temperatures in public buildings and other establishments.

"The Board requests that the necessary steps be taken to accomplish the purpose of this request as to the temperatures in this building."

Approved unanimously, together with
the following letter to the Presidents of
all the Federal Reserve Banks:

"Enclosed you will find a copy of a letter dated January 13, 1945, addressed to the Chairman of the Board of Governors by James F. Byrnes, Director of the Office of War Mobilization and Reconversion, in regard to the necessity for reducing coal consumption in 1945 and referring to his appeal to the management of all public buildings, hotels, apartments, stores and other establishments to take steps to keep maximum temperatures below 68 degrees. The letter is self-explanatory and Chairman Eccles has assured Chairman Byrnes of Federal Reserve cooperation."

Thereupon the meeting adjourned.

Orestes Morieq
Secretary.

Approved:

W. A. Eccles
Chairman.