

A meeting of the Board of Governors of the Federal Reserve System with the Presidents of the Federal Reserve Banks was held in the offices of the Board of Governors in Washington on Thursday, February 28, 1946, at 2:30 p.m.

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

Mr. Carpenter, Secretary
Mr. Morrill, Special Adviser to the Board

Messrs. Flanders, Sproul, Williams, Gidney, Leach, McLarin, Young, Davis, Peyton, Leedy, Gilbert, and Clerk, Presidents of the Federal Reserve Banks of Boston, New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, Dallas, and San Francisco, respectively.

Mr. Sienkiewicz, Secretary of the Presidents' Conference

The Presidents' Conference met in a separate session on February 25-26, 1946, and yesterday there were furnished to the members of the Board of Governors copies of a list of topics which the Presidents desired to present at this joint meeting with the Board. The matters were taken up and discussed as follows:

1. Discontinuance of Federal Reserve notes of large denominations. The Conference of Presidents considered the proposal to discontinue the issuance of Federal Reserve notes in large denominations. On the basis of information available, the majority of the members of the Conference was not favorably disposed toward such discontinuance at this time primarily because of a possible adverse reaction by the public. However, the Conference believes that the subject of elimination and withdrawal from circulation of notes in denominations of \$5,000 and \$10,000 should be considered at an appropriate time in the future.

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Mr. Sproul stated that the position of the Conference was based on the feeling that there were legitimate uses for notes up to and including \$1,000 denominations and that anything that might be termed, by those who would be critical of any change, as tinkering with the currency system would be undesirable at this time in the absence of more compelling reasons than those stated in the Board's letter of December 27, 1945, asking for the views of the Presidents. Mr. Sproul also said that it was the feeling on the part of some of the Presidents that before action was taken to discontinue the higher denomination notes there should be a decision on the legal question whether there was authority under existing law to discontinue the circulation of the larger denominations.

Chairman Eccles stated that this matter had been looked into by the Board's Legal Division and that it was felt that discretion in the matter rested with the Board. He also stated that any action taken by the Board in this connection would not be for the purpose of reducing the amount of currency outstanding as had been done in other countries but rather for the purpose of preventing the use of large denomination currency for black market operations and tax evasion. He expressed the opinion that such a step would not be effective alone in preventing such operations or the evasion of taxes but would only make them more difficult, and that if further action were to be taken to curb these practices it would have to be taken by the Treasury or the Office of Price Administration.

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2. Job evaluation and classification. The Conference considered the necessity for comprehensive job evaluation and personnel classification at the Reserve Banks, and the work already being done by the Banks. In view of the complexity of the task, the Conference directed its Committee on Personnel to assume the responsibility for working out policies and methods as well as making suggestions to individual Reserve Banks which would bring about a maximum degree of coordination and integration in matters of job evaluation and personnel classification, with the understanding that the Committee may engage the services of such consultants in this field as it may need for the purpose.

Subsequently, the Board's letter to Vice Chairman Allan Sproul, dated February 26, 1946, referring to this subject, was received by the Conference. It was considered that the direction given to the Personnel Committee was consistent with the suggestions of the Board of Governors.

3. Dismissal wages and separation allowances. The Conference considered the request of the Board of Governors in its letter of February 15, 1946, and reviewed a proposed letter from the Board to the Presidents of the Reserve Banks to the effect that authorization for the payment of dismissal wages or separation allowances be extended to cover employees involuntarily separated from service after age 55 and who have served a sufficient length of time to be entitled to compensation but who have not served the 25 years necessary to come under the authorization for supplemental payments, contained in the Board's letter S-741. The Conference is in favor of the change as expressed in the proposed letter from the Board to the Presidents.

There was no discussion of these two matters.

4. Hospitalization including surgical services. The Conference again reviewed the Personnel Committee's report on plans for making available to employees of the Federal Reserve Banks broader facilities for meeting the hazards of illness and, after discussion, reaffirmed the previous recommendation of the Conference to the effect that the plan for hospital and surgical benefits should be adopted, with each Federal Reserve Bank assuming two-thirds of the cost of providing individual, husband and wife, or family membership, as the case may be, in the Blue Cross Association of its district for each of its employees who may wish to avail himself of

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the privilege. It was the view of the Conference that the Committee on Personnel and the Reserve Banks should make appropriate arrangements to carry out this recommendation, although it was understood that an individual Reserve Bank might for special reason obtain the same protection for its employees through a private insurance contract.

Chairman Eccles reviewed the consideration which had been given to this matter and said that the Board had felt that before reaching a decision on the question whether it should approve a plan for making hospitalization and surgical services available to the Federal Reserve Banks there should be further consideration by the Presidents of the question whether the services should be provided through an insurance company or through the Blue Cross Association, and that the Board would now give further study to the matter in the light of the position of the Presidents as stated above.

In response to a question from Mr. Szymczak, it was stated that eleven of the Presidents favored provision of the services through the Blue Cross Association and that one favored the use of an insurance company.

Mr. McLarin stated that the reason why he had favored an insurance company was the uncertainty whether and to what extent the Blue Cross Association services would be made available in the Federal Reserve Bank and branch cities in the Atlanta District, and that he felt that if the same services could be provided through an insurance company at a lower rate than charged by the Blue Cross Association that should be permitted.

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5. Compensation of Reserve Bank Officers. The Conference again considered the problem of official salaries of the Reserve Bank officers in the light of increasing difficulties in obtaining and retaining able and promising men of official type by reason of inadequate compensation and limited opportunities for the future. It also reviewed the limitations of the Retirement System with respect to the official staff and recognized the continuing need for liberalizing the provisions of the Retirement System in this respect. Inasmuch as the salaries of the chief executive officers of the Banks are involved, the Conference is of the opinion that in addition to the ordinary reviews of official salaries with the Presidents of the Reserve Banks, the Board of Governors should review the general matter of salaries and of retirement allowances with representatives of the Boards of Directors of the Reserve Banks.

In response to a comment by Chairman Eccles that it was the policy of the Board to discuss salaries of officers with the boards of directors or committees thereof whenever the directors so desired, Mr. Sproul explained that what the Presidents had in mind was a general review of salary policy with representatives of the boards of directors of all the Reserve Banks rather than the consideration of specific salaries with the respective boards of directors or their representatives.

Mr. Szymczak stated that as he understood the suggestion it was that the Presidents would like the Board to meet with the Chairmen of the Federal Reserve Banks or to have the Chairman of the Chairmen's Conference appoint a committee to represent all of the Federal Reserve Banks in a discussion with the Board.

Chairman Eccles said that the Board had just finished consideration of the salaries of presidents and first vice presidents of the

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Federal Reserve Banks for periods beginning March 1, 1946, and that advices of the Board's action would be sent to the respective Banks shortly. He also said that, in that connection, the suggestion had been made that consideration be given by the Board to the liberalization of the benefits now provided under the retirement system of the Federal Reserve Banks, that the Board had the matter under study for the purpose of determining whether there should be further liberalization, and that the Banks would be advised in due course of the Board's views.

In the ensuing discussion it was made clear that the Board had not yet acted on salaries of officers of Federal Reserve Banks other than the presidents and first vice presidents and that these would be taken up in due course toward the end of the present salary year for the respective Banks.

Mr. Davis commented that there had been a number of changes outside the System in salary policy in recent years, to which Chairman Eccles replied that as long as salary levels for top positions in the Government remained unchanged the Board could not go beyond the salaries it had approved for the officers of the Federal Reserve Banks, that the salaries of the presidents were higher than the salary of any officer of the Government except the President of the United States, and that the Board would have to keep that situation in mind.

Mr. Clerk inquired whether the Board had given consideration to salary increases for officers with salaries above \$7,500 based on

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increases in the cost of living as had been done with salaries below that amount, and Mr. Szymczak replied in the negative.

Mr. Sproul expressed the opinion that in cases where there had been no change in salary for a considerable period, the salary was in effect being reduced by the higher costs of living, and that if adjustments were constantly made for the lower salaries with no change in the higher brackets a new salary structure would result which would not be a desirable one as it would fail to provide the necessary incentives for men to qualify for the more responsible positions. He also said that the System was set up with the thought that it could attract competent men who could be compensated on a level commensurate with their competence recognizing, however, that the salaries paid could not be equal to those paid in private business. He said that the question was whether the Federal Reserve Banks were to be regarded as important parts of the System and entitled to salaries which would attract competent men or whether they should be expected to carry on only the routine functions required of the Banks.

During a discussion of Mr. Sproul's statement Mr. Williams inquired as to the probable outcome of legislation now under consideration to increase Government salaries. Chairman Eccles stated that there was little likelihood that the legislation would be enacted.

6. Legislation: membership. The Conference discussed the desirability of seeking legislative amendment of the provisions of the Federal Reserve Act and the National Bank

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Act so as to make eligible for membership a large number of banks that are at present ineligible for such membership because (a) they have out-of-town branches and do not have the capital which is required for a national bank which establishes out-of-town branches; and (b) their capital is less than the amount required to entitle them to become national banks in the places where they are situated. The Conference submits this subject to the Board of Governors for preliminary discussion of the broader aspects and implications of the problem.

Mr. McKee inquired whether any of the Presidents felt that there should be any limitation in the law on membership of insured banks in the Federal Reserve System. The Presidents expressed the opinion that such conditions should be removed and that if the banks were entitled to deposit insurance they should be eligible for membership in the System. Members of the Board indicated agreement with that view.

Mr. Sproul raised the question as to what could be done to remove the conditions at the present time, and Chairman Eccles replied that because of many other emergency matters now pending before the Banking and Currency Committees of Congress he did not think there was any possibility of legislation on this subject. He said that this was one of a number of desirable amendments to the law that would have to be taken up at a later time when the Congress was in position to consider such matters.

7. Legislation: information. In carrying on its work effectively, the Conference believes that it would be extremely helpful if its members could be kept posted

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on legislative developments affecting the System, particularly with respect to the present status of reorganization of Federal agencies, and the status of the Wagner-Spence and the Holding Companies Bills.

Chairman Eccles said that, so far as the Board knew, nothing was being done at the present time looking toward the reorganization of the Federal banking agencies unless it were being done by the Bureau of the Budget, that that office had had a group working on the problem of reorganization for a long time, and that after the Reorganization Act was passed the Bureau wrote a letter to all departments and agencies subject to the Act requesting their recommendations as to the changes that should be made, but that the Board had not responded to that request for the reason that it did not want to submit recommendations to be criticized by other agencies. He made the further comment that he had discussed the matter with Secretary of the Treasury Vinson who said that he had not had time to consider the matter. Chairman Eccles added that he had expressed the opinion to Mr. Vinson that neither the Board nor the Treasury should reply to the Budget Bureau request until there had been an opportunity to discuss the matter, and that Secretary Vinson stated that he would not submit anything without first taking it up with the Board. Chairman Eccles went on to say that he had also discussed the matter with Mr. Smith, Director of the Bureau of the Budget, and had stated to him that, while the Board had not replied to the request for recommendations, it was hoped that nothing would be done to reorganize the banking agencies until he had had an opportunity to discuss the whole

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matter with Mr. Smith. Chairman Eccles also said that the Board favored a reorganization for reasons which he outlined, that a consolidation of the banking agencies would be in the interest of the banking system for reasons which he also stated, and that some work had been done on a reorganization plan so that the Board would not be unprepared to make a recommendation at the proper time, but that nothing had been done on the matter recently. Chairman Eccles then read the request received by the Board from the Budget Bureau dated December 26, 1945, which was followed by a discussion of the extent to which the Federal Deposit Insurance Corporation was subject to the Reorganization Act.

Chairman Eccles stated that the Wagner-Spence Bill was still before the Banking and Currency Committees and as long as the committees were occupied as they were at the present time with emergency legislation such as the extension of OPA and the British Loan there was no possibility of the Wagner-Spence Bill being considered. He said that Congressman Spence had indicated to him recently that he favored the bill but did not see how it could be brought up for consideration in the immediate future.

With respect to the holding company bill, Chairman Eccles said that a simplified draft of bill had been prepared and discussed by members of the staff of the Board, the Treasury including the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Department of Justice, that the staff representatives had practically

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accepted the draft prepared by members of the Board's staff with the exception of two or three points, and that it was agreed at the last meeting of the staff representatives that they should agree on a program after which the Attorney General, Secretary Vinson, and Chairman Eccles would meet for the purpose of ascertaining if the Treasury would be willing to agree to the program. Secretary Vinson, Chairman Eccles said, would be completely occupied for some time with the British Loan and the meeting at Savannah in connection with the Bretton Woods organizations, and, while he had stated that he was anxious to get a decision on the matter, he had not been able to set a time for the meeting. Chairman Eccles also reviewed the informal discussions which the Attorney General, the Comptroller of the Currency, and he had had with representatives of a number of independent banks who had come to Washington to find out what the situation was with respect to the draft of bill, and stated that, although the Treasury might be willing to support the bill, there was a real question whether the bill would be enacted. He thought that in any event it would not be passed until the next session of Congress and that it could not be enacted without the support of the Treasury.

In response to an inquiry from Mr. Sproul whether the Presidents could do anything in connection with the holding company bill or the problem of the reorganization of the banking agencies, Chairman Eccles stated that when the bill was agreed to here copies might be sent to the Federal Reserve Banks with full information with respect to it

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so that they could support it in their respective districts.

8. Revised edition of the Federal Reserve Act. The Conference of Presidents recommends to the Board of Governors that steps should be taken to issue as soon as possible a revised edition of the Federal Reserve Act, inasmuch as no new edition has been issued since October 1935. There is a growing need for another revision because numerous additions to and changes in the Act have been made since the last edition.

Chairman Eccles said that the Board had already authorized the printing of a revised edition of the Act which would include all of the important banking legislation enacted in the present session of Congress. In connection with an inquiry as to the number of copies of the revision that the Federal Reserve Banks might desire, it was understood that the Board would address a letter to the Presidents asking for advice on this point and on such other matters in connection with the printing of the new edition as might be necessary.

9. Bank and public relations. In connection with the report containing summaries of what the Reserve Banks are doing in promoting their bank and public relations, consideration was given to the advisability of developing a program which would include a motion picture portraying objectively the Federal Reserve System in action by showing: (a) Federal Reserve Bank operations; and (b) the System in action along broader lines, including Open Market operations. The Conference believes that the development of such a program might be desirable for the Board and the Reserve Banks to consider on a cooperative basis in order to make the presentation of the System in action to the public as effective as possible.

In response to a question by Mr. Ransom, there was a discussion of methods that might be used in a motion picture to tell a story of the policy functions of the System, and Mr. Sproul stated that

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it was the thought of the Presidents that the Federal Reserve Bank operations and policy functions should not be undertaken in the same picture but that there should be a separate picture for each, and that the services of an expert in the field should be engaged in order to obtain the best results.

Chairman Eccles said that the idea appealed to the Board and that a representative or representatives of the Board would be glad to work with a committee of the Presidents' Conference to prepare the details of the plan. Mr. Sproul stated that the Presidents' Conference had a committee on bank and public relations and that the committee would be ready to consult with representatives of the Board at any time.

There was agreement that consideration of the matter should be with a view to the submission of a report to the Presidents and the Board at the time of the next meeting of the Presidents' Conference in Washington.

10. Discount rate. The Conference considered the question as to what the Reserve System can do in contributing its share toward economic stability through credit administration and monetary controls. It reiterated its belief that the preferential discount rate of one-half per cent on Government securities maturing in one year or less should be eliminated and that the System should immediately attempt to develop a comprehensive, well-integrated post-war program in the field of money and credit. The Conference desires to review the basic issues involved particularly as they relate to the position of the System in the developing situation.

Inasmuch as this matter had been discussed at the meeting of the Federal Open Market Committee this morning and would be considered

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further at the meeting of the Committee to be held tomorrow, there was no discussion of it at this meeting.

11. The role of Reserve Banks in relation to the International Bank and Fund. The Conference again reviewed the possible functions that the Reserve Banks can perform as fiscal agents or otherwise for the International Bank and International Fund. It suggests that further consideration of this subject with the Board of Governors would be desirable.

Mr. Sproul stated that what the Presidents had in mind was whether the Board had any views as to how the Federal Reserve Banks might work with the International Bank and the Fund or whether there was any additional information that would be helpful to the Banks in their study of the subject.

Mr. Morrill stated that this subject was being studied by the System staff group on foreign interests for the purpose of submitting a report.

Chairman Eccles referred to the study being made currently by two subcommittees of the Technical Committee of the National Advisory Council of the question of the marketing in this country of the securities to be issued by the International Bank.

In response to a question from Mr. Williams, it was stated that the possibility of stabilizing operations in this market in connection with securities of the International Bank was also being considered and was on the agenda of the forthcoming meeting of the staff group on foreign interests.

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Chairman Eccles stated that it was generally accepted that the Federal Reserve Banks would be asked to serve as fiscal agents of the Bretton Woods organizations.

In answer to a question whether material being prepared by the staff committees working under the direction of the National Advisory Council could be sent to the Federal Reserve Banks, Chairman Eccles stated that none of the matters under consideration by the committees had yet been considered by the Council, that the work being done was preliminary and tentative in character, and that to send it to the Federal Reserve Banks at this time would serve no useful purpose.

12. Anglo-American loan agreement. The Conference reviewed the prevailing sentiments and attitudes of the public toward the Anglo-American financial agreement. The members of the Conference are in favor of the agreement and are willing to cooperate in every way possible to present the subject to bankers, civic, business, and other organizations, but they believe that their assistance would be much more effective if they could be kept informed of the general national program for public education and of the time schedule of this program and of proposed legislative action.

Mr. Sproul stated that the Presidents felt that anything that they might do in undertaking to present this matter in their respective districts might be largely wasted unless they knew what the general program was and how they could be most effective.

Chairman Eccles stated that representatives of the Government had made and were making a number of speeches in support of the loan, that it was expected that hearings on the bill would begin next week, and that the Board would send the Banks all of the available information

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that it received with respect to the loan. It appeared, he said, that the newspaper support for the loan was increasing and that when the hearings started there would be a great deal of publicity given to the proposed legislation.

13. Building facilities of Reserve Banks and branches.

Inasmuch as the situation with respect to vault space and other facilities at some Reserve Banks, particularly San Francisco, is becoming more acute the Conference suggests that the subject again should be reviewed with the Board of Governors to the end that some relief may be provided as early as possible.

Mr. Clerk stated that the Federal Reserve Bank of San Francisco was not going to be able to renew the leases on some of the facilities which it had been renting for the use of its branches, including vault facilities, that additional permanent vault facilities were necessary if the Bank was to continue to carry on its present activities, particularly those being conducted for the Treasury, and that the situation was one of emergency so far as his Bank was concerned.

Chairman Eccles said that the general policy of the Board as stated in its letter of September 14, 1945, still applied, but that if a Bank was faced with a situation such as stated by Mr. Clerk it should submit a plan to the Board for approval and after that was obtained it should proceed to get the necessary permits and, if necessary, authority should be requested from Congress for the construction under the provisions of paragraph 9 of section 10 of the Federal Reserve Act. He did not think that it would be difficult to get a

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permit in such a situation and that if the matter were brought to the attention of Congress it might be helpful in bringing about the adoption of the legislation to remove the limitation on the cost of Federal Reserve Branch Bank buildings.

In connection with a comment by Mr. Clerk that the entire building program of the San Francisco Bank would involve an expenditure of between \$5 million and \$10 million, Chairman Eccles stated that the Bank should delay as much of that program as possible until the situation with respect to building materials and labor improved and should undertake at this time to provide only the facilities for which there was an emergency need.

14. The interest rate on loans secured by time deposits - Regulation Q. The Conference considered briefly the Board's letter of February 25, 1946, regarding the rate of interest a member bank may charge on loans made to depositors upon the security of time deposits and the suggestion that a present rate of 2% fixed under Regulation Q is excessive. While the Conference recognizes the decline in interest rates since the establishment of the present maximum rate on time deposits under Regulation Q and thinks that in due time the regulation should be changed, it is not disposed to favor the suggested change in the rate at this time particularly since the number and amount of loans secured by time deposits have been small.

There was no discussion of this subject.

15. Non-member bank loans on Government securities. The Conference again considered the advisability of discontinuing the privilege of securing advances on Government obligations by non-member banks at the same rate as member banks. After reviewing the present and prospective situation, the general consensus was that this privilege of non-member banks should be withdrawn.

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Chairman Eccles stated that the Board agreed with the Presidents on this matter and that the reasons for granting the privilege to non-member banks in 1939 no longer applied. It was understood that the Board would approve action by the Federal Reserve Banks to discontinue the rate of one per cent on advances to nonmember banks secured by direct obligations of the United States.

Enforcement of Regulation W, Consumer Credit. This matter was not on the list of items which the Presidents desired to consider with the Board but was presented by Mr. Ransom. He said that it was expected that the Board would issue a call in the course of the next few days for a conference in Washington on the enforcement of Regulation W, Consumer Credit, and that the Board would like to have each of the Federal Reserve Banks send the senior officer who had responsibility for the administration of Regulation W to attend the Conference. He also said that the System would face in the future a much more difficult situation than in the past with respect to the enforcement of the regulation and that he felt that unless the regulation could be enforced effectively it should be discontinued. In this connection, Mr. Ransom referred to the consent injunctions recently obtained in the Chicago District against the Motor City Credit Jewelry Company, Inc., and the Consumers Home Equipment Company, and stated that, while it might not be possible to get such an injunction in all cases of violations in the future requiring action by the Board and that litigation might result in some cases, he thought that would be preferable to a failure to enforce the regulation.

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He then reviewed the information obtained in the reports received by the Board from the Federal Reserve Banks from which it appeared that the Banks were following widely different policies in the amount of investigating work that was being done to determine whether the regulation was being complied with. He stated that he had come to the conclusion that it was necessary to have more uniformity in the programs of the Federal Reserve Banks and that there would have to be some standard below which no Federal Reserve Bank would fall. It was his thought that at the forthcoming conference a program would be worked out for effective enforcement of the regulation and he stated that he would like to have the cooperation of the Presidents in supporting the program which he felt would be necessary if the Board was to continue to administer the regulation.

Mr. Ransom concurred in the suggestion that most of the violations that had been discovered had not been willful and that the enforcement program in the past had been largely one of education. He also said that he felt that without an adequate program of investigation it would not be possible to know, in the future, to what extent the regulation was being observed willingly and to what extent enforcement measures were required, and that this would be true particularly as goods came on to the market and there were increased incentives to violate the regulation.

Mr. Peyton expressed the opinion that a program calling for extensive investigation of the business of registrants would be a source

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of needless irritation, that the System had the right to investigate any case where there was evidence of a violation, but that it would be an unwise policy to go beyond that.

Mr. Ransom commented that it was necessary that the Board have some idea whether the regulation was being observed and that that could not be accomplished without a broader program of investigation.

Chairman Eccles inquired whether there was any feeling on the part of the Presidents that the responsibility for the administration of Regulation W should be shifted to some other agency. He stated that the regulation constituted an instrument of selective credit control, that when the supply of goods again became large and credit was available at low rates instalment credit would reach a very high total, and that it would be necessary to exercise control of such credit in the interest of maintaining a sound credit situation. He felt that the System should be concerned with that situation, that it should set up a program which would do an effective job, and that the whole matter should be considered from the standpoint of a long-range policy.

There was a discussion of the problem of consumer credit controls in the light of the whole economic situation and the inflationary pressures that were being exerted as the result of the removal of war controls, and Chairman Eccles stated that these controls

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had been removed prematurely, that the removal of instalment credit restrictions would only serve to make the situation worse, and that the System should undertake to discharge its responsibility with respect to Regulation W unless the Presidents felt that the responsibility should be shifted to some other agency.

Mr. Sproul suggested that consumer credit controls should be continued, that the responsibility belonged to the System as the agency charged with the administration of credit policies, but that the problem to which Mr. Peyton had referred would largely disappear if the regulation were streamlined to eliminate everything except restrictions that were important from the standpoint of credit policy.

Mr. Ransom stated that streamlining the regulation meant further liberalization and that in the face of the present situation there was no justification for further liberalization.

Mr. Peyton felt that the program of enforcement should be directed only toward those violations that were harmful to the effectiveness of the regulation, and Mr. Ransom stated that such violations could not be discovered without an effective program of investigation.

Mr. Peyton responded that he would favor investigations where there were evidences of important violations, but would disregard minor violations the correction of which would only serve to irritate the registrant.

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Mr. Ransom expressed the opinion that such a policy would not suffice in the months ahead when there would be much less willingness to abide by the provisions of the regulation and that unless the System took steps to see that the regulation was being complied with and to accept full responsibility for its administration he would favor the transfer of the responsibility to some other agency.

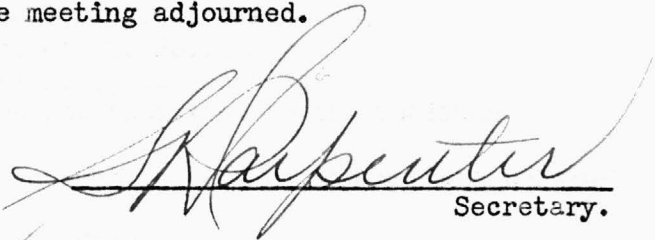
In a further discussion Mr. Peyton inquired if the Board were requesting that the Federal Reserve Banks undertake an extensive program of investigation, and Mr. Ransom responded that the Board was not asking that the Banks do anything at the moment but that when the conference to which he had referred was called he would like to have the senior officer in charge of Regulation W at each of the Banks attend the conference with the affirmative support of the President for the purpose of drawing up a workable program. He made it clear that in the process of developing an enforcement program he did not want to antagonize a large number of people because he realized that that might jeopardize the future of consumer credit regulation as an instrument of credit policy.

Mr. Leedy reviewed the policy that had been followed at the Federal Reserve Bank of Kansas City in connection with the investigation of possible violations of Regulation W and stated that he was not aware that the program carried out by the Bank was not in line with what was being done by other Federal Reserve Banks and that it would be helpful if a procedure could be worked out under which periodic

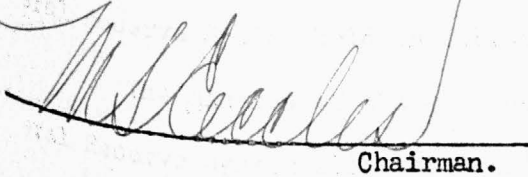
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reports would be sent to the Reserve Banks so that each would know what the others were doing and what the Board expected in the way of an enforcement program. It was agreed that this suggestion should be carried out.

Thereupon the meeting adjourned.


Secretary.

Approved:


Chairman.