



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

S-263

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

May 13, 1941

Dear Sir:

Referring to Mr. Draper's wire to you of May 9, 1941, relating to the establishment of Priorities field offices in a number of important cities, there are attached for your information copies of a letter dated May 8 and a memorandum dated May 9, 1941, from Mr. Francis J. Trecker, Acting Chief, Defense Contract Service, and a copy of the Board's letter of May 12, 1941, to Mr. Trecker, all of which are self-explanatory.

Very truly yours,

Chester Morrill,  
Secretary.

Attachments 3

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

OFFICE OF PRODUCTION MANAGEMENT

Social Security Building  
Washington, D. C.

May 8, 1941

Governor Ernest G. Draper,  
Board of Governors of the  
Federal Reserve System,  
Washington, D. C.

Dear Governor Draper:

The Division of Priorities some time ago requested permission to use the Defense Contract Service field offices as distribution points for contracts and preliminary information on priorities. These duties have been carried on up to the present time. However, the tremendous impact and the necessary technical and detailed training required to handle priorities problems made it necessary that more adequate and especially priorities trained personnel be in the field to give first hand advice to the manufacturers.

Due to the above reasons, it was decided by the Priorities Division to ask the Federal Reserve System to make available to them space so that priorities could install their own personnel. Mr. Philip D. Reed of the Priorities Division has asked me to convey to you the Priorities Division request for space and accommodations similar to that which you have so kindly extended to the Defense Contract Service Section of the Office of Production Management.

It is their intention to establish in the following cities Priorities field offices:

Boston	Chicago	Pittsburgh
New York	Cincinnati	Dallas
Philadelphia	Cleveland	Detroit
Atlanta	Denver	Los Angeles
St. Louis	San Francisco	Seattle

These field offices, it is proposed, will work in close coordination with the Defense Contract Service. However, authority for their actions, financing, and similar problems will be handled entirely and directly from Washington Division of Priorities.

Quotation from their letter of transmittal to us outlining their proposed set-up is as follows:

"Our present plan is to have in each of the indicated offices a District Manager, an Assistant to the District Manager, a Production and Inventory Analyst, and a secretary to the District Manager. As more field work is

"required in the administration of additional mandatory controls imposed by the Division, there will undoubtedly be an increase in the number of production and inventory analysts, especially in the 10 or 12 largest cities, and this should be borne in mind."

Furthermore, it is the Priorities Division's plan at the start to have the men in the above mentioned cities cover an area as large as necessary around that city so as to be of service to all of the present established Defense Contract Service offices. Their memorandum further states that they would like to have it planned in the future to expand into other cities in which Defense Contract Service is established as needed.

As discussed in the meeting between representatives of Defense Contract Service and Priorities Division, it is the plan to have the Priorities staff directly under the control and on the pay roll of the Priorities Division. Priorities entire agreement with Federal Reserve is to be similar to the agreement between Defense Contract Service and the Federal Reserve System, namely, that all pay roll is the responsibility of the Priorities Division, including clerical and secretarial help. It is further understood that the Banks will not be reimbursed for the use of space, if available, in the Federal Reserve Bank and Branch Bank buildings nor for the use of Federal Reserve office equipment loaned temporarily to the Priorities Division by the Bank, but the Bank will be reimbursed for rent paid for outside office space and for office equipment purchased for the account of the Office of Production Management Priorities Division for the use of Priorities activities.

It is recommended that the Priorities Division and the Federal Reserve System meet to determine the method of financial reimbursement from Priorities Division to the Federal Reserve System in case office equipment be needed and also for determination of policy concerning all expenses connected therewith.

Would you be good enough to transmit this letter to the Board of Governors? We would appreciate confirmation that this letter clearly sets forth the understanding between Priorities Division, and the Federal Reserve Banks and is similar to the present existing agreement between Defense Contract Service and the Federal Reserve System.

(Signed) Francis J. Trecker

Francis J. Trecker, Acting Chief,  
Defense Contract Service.

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OFFICE OF PRODUCTION MANAGEMENT  
Social Security Building  
Washington, D. C.

May 9, 1941

MEMORANDUM

To: Governor Ernest G. Draper

From: Francis J. Trecker

This memorandum is directly connected with, and should be attached to, the letter of May 8 from Francis J. Trecker to Governor Ernest G. Draper, Board of Governors of the Federal Reserve System, which was written to outline the proposed working agreement between the Division of Priorities, Office of Production Management, the Federal Reserve Bank System, and the Defense Contract Service.

In the above-mentioned letter, it is stated that "Priorities entire agreement with Federal Reserve is to be similar to the agreement between Defense Contract Service and the Federal Reserve System, namely, that all pay roll is the responsibility of the Priorities Division, including clerical and secretarial help."

This statement should be enlarged to cover the fact that the Defense Contract Service agreement provides that the Federal Reserve Banks pay the salaries of the Coordinator's staff and, in turn, are reimbursed later by the Defense Contract Service. In the case of the Priorities Division, it is intended that Priorities' agreement will differ from that of the Defense Contract Service in that Priorities' staff, including District Manager, his assistant, clerical and stenographic personnel, will be paid directly from the Priorities Division in Washington, and the Federal Reserve Banks will have no financial pay roll to carry for the Priorities Division.

(Signed) F. J. Trecker

FRANCIS J. TRECKER

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May 12, 1941

Mr. Francis J. Trecker, Acting Chief,  
Defense Contract Service,  
Production Division,  
Office of Production Management,  
Social Security Building,  
Washington, D. C.

Dear Mr. Trecker:

Your letter of May 8, 1941 and your memorandum of May 9, to Governor Draper, with respect to the establishment and maintenance of local field offices of the Division of Priorities of the Office of Production Management at certain of the Federal Reserve Banks and Branches, have been presented to the Board of Governors. The Board has authorized me to advise you that the Federal Reserve Banks are prepared to furnish space, if available, and render the services requested to the Division of Priorities under the same terms and conditions they now render service to Defense Contract Service of the Office of Production Management, subject to the understanding stated in the last paragraph of your memorandum of May 9, 1941. It is understood that persons on the Priorities staff assigned to duty at a Federal Reserve Bank or Branch will be satisfactory to the District or the Area Coordinator and to the President of the Federal Reserve Bank.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,  
Secretary.