

**BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON**

R--760

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 2, 1941



Dear Sir:

There is enclosed for your information a copy of a letter addressed to the American Bankers Association by the Comptroller General of the United States with regard to the advice which that office, upon request, will give as to whether or not any prior notice of assignment of a claim under a Government contract has been filed in that office.

You will recall that in our letter of December 4, 1940, relating to procedure under the Assignment of Claims Act of 1940, it was suggested that banks which consider it necessary to ascertain whether previous assignments of particular claims have been made may wish to address inquiries to the Comptroller General of the United States or to the disbursing officer, if any, designated in the contract to make payment. At that time we had not received written advice of the action which the office of the Comptroller General would take upon such inquiries, and the enclosed letter confirms our informal understanding of the position of the Comptroller General's office with respect to this matter.

It may be noted that we have received a suggestion from one individual that in each case where notice of assignment is filed it would be desirable for the assignee bank to obtain advice from all of the places where such notice is filed that no prior notice of assignment under the particular contract has been filed. This possible procedure was considered when Circular No. 447 of the Director of Procurement was prepared but it was felt that it would be unduly burdensome to suggest that in every case advice be obtained from all of the places where the notice of assignment is filed that no prior notice of assignment under the particular contract had been filed. It was felt that in most cases, as a practical matter, the obtaining of advice of no prior notice of assignment from one of the places where the bank filed notice of its assignment would be sufficient. However, if in any particular case an assignee bank feels that it is not adequately protected by such advice, it may wish to request



advice as to whether or not there is any such prior notice of assignment from all of the places at which it files notice of its assignment.

A copy of this letter is being mailed to each officer designated as a field representative at your Bank and branches, if any.

Very truly yours,

Chester Morrill,
Secretary

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS
COPY TO FIELD REPRESENTATIVES

November 18, 1940

The American Bankers Association
22 East 40 Street
New York, New York

Gentlemen:

There has been received from the office of your General Counsel, Washington, D. C., a letter of November 15, 1940, in which, with reference to the assignability of Government contracts, it is stated:

"If you will be kind enough to write me what Regulation O. M. 13208 sets forth as to the proper procedure, we shall appreciate it. We would also like to know what steps your office will take to notify a bank as to the existence of prior assignments, if any.

"Inasmuch as we are endeavoring to get out a communication to our members as soon as possible, we are having a meeting in New York Monday morning, November 18. I would appreciate it if you could send me this information to our New York office by Monday."

The Assignment of Claims Act of 1940, Public No. 811, 76th Congress, approved October 9, 1940, provides:

"That sections 3477 and 3737 of the Revised Statutes be amended by adding at the end of each such section the following new paragraph:

"The provisions of the preceding paragraph shall not apply in any case in which the moneys due or to become due from the United States or from any agency or department thereof, under a contract providing for payments aggregating \$1,000 or more, are assigned to a bank, trust company, or other financing institution, including any Federal lending agency: Provided,

"1. That in the case of any contract entered into prior to the date of approval of the Assignment of Claims Act of 1940, no claim shall be assigned without the consent of the head of the department or agency concerned;

"2. That in the case of any contract entered into after the date of approval of the Assignment of Claims Act of 1940, no claim

shall be assigned if it arises under a contract which forbids such assignment;

"3. That unless otherwise expressly permitted by such contract any such assignment shall cover all amounts payable under such contract and not already paid, shall not be made to more than one party, and shall not be subject to further assignment, except that any such assignment may be made to one party as agent or trustee for two or more parties participating in such financing;

"4. That in the event of any such assignment, the assignee thereof shall file written notice of the assignment together with a true copy of the instrument of assignment with--

"(a) the General Accounting Office,

"(b) the contracting officer or the head of his department or agency,

"(c) the surety or sureties upon the bond or bonds, if any, in connection with such contract, and

"(d) The disbursing officer, if any, designated in such contract to make payment.

Notwithstanding any law to the contrary governing the validity of assignments, any assignment pursuant to the Assignment of Claims Act of 1940 shall constitute a valid assignment for all purposes.'

"Any contract entered into by the War Department or the Navy Department may provide that payments to an assignee of any claim arising under such contract shall not be subject to reduction or set-off, and if it is so provided in such contract, such payments shall not be subject to reduction or set-off for any indebtedness of the assignor to the United States arising independently of such contract.

"Sec. 2. This Act may be cited as the 'Assignment of Claims Act of 1940'."

This office has not prescribed, and does not contemplate prescribing standard forms of notice or assignment for use in connection with assignments under the said act, and any requests for information concerning an assignment under a contract should be addressed, generally, to the particular Government agency involved. It should be noted, in this connection, that the act specifically requires that the consent of the head of the department or agency concerned must be obtained to the assignment of a claim under a contract entered into prior to the date of approval of the act, October 9, 1940.

The act provides that, in the event of an assignment thereunder, the assignee shall file written notice thereof, together with a true copy of the assignment, with this office, but there is no requirement that this office acknowledge receipt of such notice and assignment or that it furnish information as to prior assignments. Obviously, this office cannot undertake to furnish conclusive information to assignees or prospective assignees as to whether there have been any prior assignments. However, upon request, this office will by letter--or by telegraph, collect, if specifically requested--acknowledge receipt of the notice and true copy of an assignment filed here and advise whether it appears from an examination of the pertinent contract records of this office that a notice of any prior assignment has been filed here.

Respectfully,

(Signed) Lindsay C. Warren

Comptroller General
of the United States.

R-761

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

STATEMENT FOR THE PRESS

January 4, 1941

For immediate release

Preliminary figures received from the Federal Reserve Banks indicate that their current earnings during 1940 amounted to \$43,537,000, or \$5,037,000 more than in 1939. Current expenses totaled \$29,165,000, which was \$518,000 more than in the previous year. Current net earnings for 1940 were \$14,372,000, as compared with \$9,854,000 in 1939.

Net additions to current net earnings amounted to \$11,488,000 and consisted principally of profits from sales of United States Government securities less charge-offs on bank premises and reserves for losses on industrial advances. Net earnings for the year were \$25,860,000, an increase of \$13,617,000 over net earnings for 1939.

The net earnings for 1940 were distributed as follows: Dividends to member banks, \$8,215,000; payments to the U. S. Treasury under provisions of Section 13b of the Federal Reserve Act relating to industrial advances, \$82,000; net additions to surplus accounts, \$17,563,000. Of the amount added to surplus, \$12,273,000 was transferred to reserves for contingencies.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Statement for the Press

For release in morning papers,
Wednesday, January 8, 1941.

The following statement of industrial production in December and the year 1940 will appear in the January issue of the Federal Reserve Bulletin.

Estimates now available for December indicate a figure of about 136 for the Board's seasonally adjusted index of industrial production as compared with 133 in November and 129 in October. Actual volume of output, which usually declines in November and December, showed little change during this period and was about 7 per cent greater than in the peak period at the end of the previous year. In December the seasonally adjusted index of durable manufactures apparently showed a rise of about 5 points to 160 per cent of the 1935-1939 average and nondurable manufactures rose 2 points to 122, while minerals remained unchanged at 118.

For the year 1940 as a whole the Board's index averaged 122 as compared with 108 in 1939, 113 in 1937, and 110 in 1929. The rise over 1939 was most marked in output of durable manufactures but, as the table indicates, nondurable manufactures and minerals also increased materially. The increase over 1929 for the year 1940 was almost entirely in nondurable manufactures and in minerals, but by December 1940 production of durable manufactures was substantially above the high point reached in the summer of 1929. As has been indicated elsewhere, particularly in the Federal Reserve Bulletin for September 1940, the index of industrial production should not be taken as a single adequate measure of the economic well-being

of the nation. Especially over long periods considerable allowance needs to be made, not only for changes in the nature and quality of industrial products, but also for many other developments, including changes in other types of production, in foreign trade, in the size and composition of the population, and in the division of income.

Industrial Production
(1935-39 average = 100)

Year	Indus- trial produc- tion	Manu- factures	Dur- able manu- factures	Non- durable manu- factures	Min- erals
1929	110	110	133	93	107
1932	58	57	41	70	66
1933	69	68	54	79	76
1936	103	104	108	100	99
1937	113	113	122	106	112
1938	88	87	78	95	97
1939	108	108	108	108	106
1940*	122	123	135	113	117

*All 1940 figures are preliminary estimates.

Preliminary annual estimates for the various group indexes are shown in the table on the following page. The largest increases for the year, as compared with 1939, were in the metals, machinery, and transportation equipment groups of industries. Production was larger than for any previous year in most groups, the principal exceptions being lumber, leather, and alcoholic beverages.

Industrial Production
(1935-39 average = 100)

Year	Durable manufactures						Nondurable manufactures										Minerals	
	Iron and steel	Ma-chinery	Trans- portation equip- ment	Non-fer- rous metals and prod- ucts	Lum- ber and prod- ucts	Stone, clay, and glass prod- ucts	Tex- tiles and prod- ucts	Leath- er and prod- ucts	Man- ufac- tured food prod- ucts	Alco- holic beverages	To- bacco prod- ucts	Paper and prod- ucts	Print- ing and pub- lish- ing	Petro- leum and coal prod- ucts	Chem- icals	Rub- ber prod- ucts	Fuels	Metals
1929	135	130	134	136	146	110	94	95	101	-	96	85	104	96	89	100	103	134
1932	33	43	38	52	51	51	71	76	79	-	79	65	74	69	68	64	72	35
1933	55	50	48	60	63	54	88	88	83	-	80	76	75	74	76	77	80	50
1936	114	105	111	104	105	103	104	103	98	109	99	98	99	97	99	107	99	102
1937	123	126	125	124	113	114	106	102	103	108	103	107	109	108	112	104	109	127
1938	68	82	70	80	90	92	85	93	101	96	102	95	96	100	96	83	99	86
1939	114	104	100	114	106	114	112	104	108	98	106	114	106	110	104	113	105	113
1940*	144	135	134	145	116	120	115	95	113	101	109	122	110	116	115	118	114	133

*All 1940 figures are preliminary estimates.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-763

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 8, 1941.

Dear Sir:

We have just obtained from the National Defense Commission a few copies of forms that may be used in applying for necessity certificates, certificates of nonreimbursement, and certificates of Government protection. These forms are not official and their use is not required. One copy of each form is enclosed herewith for the information of your field representative. Since we have been able to obtain only a few copies, we are not sending copies to your branches.

Very truly yours,

A handwritten signature in cursive script, appearing to read "E. L. Snead".

E. L. Snead, Chief,
Division of Bank Operations

Enclosures 3

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

(Enclosures with addressed copies only.)

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-764

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 10, 1941

Dear Sir:

During the Conference on Small Business Activities in relation to the Defense program held in Washington on November 12 and 13, Mr. Stacy May distributed to those attending the Conference a pamphlet on Value of Defense Contracts Awarded by Federal Reserve Districts and Industrial Areas, which was prepared by the Bureau of Research and Statistics of the National Defense Advisory Commission. We have now received from Mr. May's office a report showing "Major Defense Contracts Awarded by War and Navy Departments between June 1 and November 30, 1940, listed by Federal Reserve District". Five copies of this report are being forwarded to the field representative at your head office and two copies to each of your branches, if any.

We expect to write you shortly in regard to the use that may be made of this report.

Very truly yours,



E. L. Smead, Chief,
Division of Bank Operations.

TO THE PRESIDENT OF EACH FEDERAL RESERVE BANK

COPY TO FIELD REPRESENTATIVES

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM R-765
WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



January 11, 1941

Dear Sir:

Referring to the Board's letter R-593 of January 10, 1940, there are enclosed 25 copies of the list of nonmember banks that have in force agreements with the Board pursuant to the provisions of Section 8(a) of the Securities Exchange Act of 1934, as revised to include changes reported to the Board through December 31, 1940.

There is also enclosed, for your information, a statement showing banks which were included in the corresponding list dated December 31, 1939 and which are no longer in operation as nonmember banks.

Very truly yours,

A handwritten signature in dark ink, appearing to read "L. P. Bethea", written in a cursive style.

L. P. Bethea,
Assistant Secretary.

Enclosures

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

LIST OF NONMEMBER BANKS WHICH HAVE IN FORCE AGREEMENTS FILED WITH
THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM PURSUANT TO
THE PROVISIONS OF SECTION 8(a) OF THE SECURITIES EXCHANGE ACT OF 1934

(Does not contain names of banks which are no longer in operation as
nonmember banks. If name of bank has been changed since the
agreement was filed, only the current name is listed.)

Nonmember Banks with Principal Places of Business in the United States

California

Anaheim	The Southern County Bank
Oakland	Central Bank
"	Farmers and Merchants Savings Bank of Oakland
Patterson	Commercial Bank
San Diego	San Diego Trust & Savings Bank
San Francisco	Bank of Montreal (San Francisco)
"	The Canadian Bank of Commerce (California)
Stockton	Stockton Savings and Loan Bank

Connecticut

Bridgeport	The West Side Bank
Darien	The Home Bank and Trust Company of Darien
Hartford	The Hartford-Connecticut Trust Company
"	The Park Street Trust Company
New Haven	The Community Bank and Trust Company
Stamford	The Fidelity Title & Trust Company

Delaware

Dover	Farmers' Bank of the State of Delaware
Wilmington	Delaware Trust Company

Idaho

Lewiston	American Bank & Trust Company
Pocatello	Idaho Bank and Trust Co.

Illinois

Chicago	Banco di Napoli Trust Company of Chicago
Oak Park	Prairie State Bank

Indiana

English	English State Bank
Jeffersonville	Citizens Trust Company
"	The Clark County State Bank

Iowa

Waterloo	The Waterloo Savings Bank
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Kentucky

Beaver Dam	The Beaver Dam Deposit Bank
Brandenburg	Farmers Deposit Bank
Campbellsburg	United Farmers Bank
Carrollton	Kentucky State Bank
Cave City	The H. Y. Davis State Bank
Dayton	State Bank
Gravel Switch	Peoples Bank
Hardinsburg	Farmers Bank
Harrodsburg	State Bank & Trust Co.
Hawesville	Hawesville Deposit Bank
Hopkinsville	First-City Bank & Trust Company
LaGrange	First State Bank
Magnolia	Bank of Magnolia
Monterey	The First State Bank
Munfordville	Hart County Deposit Bank
New Hope	The Peoples Bank
North Pleasureville	The Central Bank
Owingsville	Owingsville Banking Company
Pineville	First State Bank
Sadieville	Farmers-Deposit Bank of Sadieville
Sharpsburg	Citizens Bank
Shelbyville	Bank of Shelbyville
"	Citizens Bank
"	The Farmers and Traders Bank
Springfield	Springfield State Bank
Taylorville	Peoples Bank
Upton	The Davis Banking Company

Maine

Rockland	Knox County Trust Company
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Maryland

Baltimore	The Equitable Trust Company
"	Mercantile Trust Company of Baltimore

Massachusetts

Boston	Stabile Bank and Trust Company
Clinton	Clinton Trust Company
Lawrence	Arlington Trust Company
Lynn	Essex Trust Company
North Adams	North Adams Trust Company
Worcester	Guaranty Bank & Trust Co.

Michigan

Detroit	Commonwealth Bank
Hudson	Hudson State Savings Bank

Missouri

St. Louis

Mutual Bank and Trust Company

New Jersey

Asbury Park

Asbury Park and Ocean Grove Bank

Atlantic City

Guarantee Bank and Trust Company

Chatham

The Chatham Trust Company

Guttenberg

Guttenberg Bank and Trust Co.

Hammonton

Peoples Bank and Trust Company

Jersey City

Bessemer Trust Company

"

The Trust Company of New Jersey

Trenton

The Trenton Banking Company

"

Trenton Trust Company

Union City

Hudson Trust Company

Woodbury

Woodbury Trust Company

New York

Albion

Marine Midland Trust Company of Albion

Auburn

Auburn Trust Company

"

Wm. H. Seward & Co.

Berlin

Taconic Valley Bank

Brooklyn (New York City)

Citizens Bank of Brooklyn

"

Kings County Trust Company

Clarence

Bank of Clarence

Cortland

The Marine Midland Trust Company of Cortland

Forest Hills (New York City)

Boulevard Bank

Hudson

Hudson River Trust Company

Jamestown

Union Trust Company of Jamestown, N. Y.

Kenmore

State Bank of Kenmore

Medina

Medina Trust Company

Newburgh

The Columbus Trust Company

New York City

The Bank of Athens Trust Company

"

Brown Brothers Harriman & Co.

"

Empire Trust Company

"

Fiduciary Trust Company of New York

"

French American Banking Corporation

"

Heidelbach, Ickelheimer & Co.

"

Laidlaw & Company

"

J. P. Morgan & Co. Incorporated

"

Savings Banks Trust Company

"

Title Guarantee and Trust Company

"

Underwriters Trust Company

North Tonawanda

State Trust Company of North Tonawanda

Oyster Bay

Oyster Bay Trust Company

Randolph

State Bank of Randolph

Riverhead, L. I.

Long Island State Bank & Trust Company

New York (Continued)

Rochester	Genesee Valley Trust Co.
"	Rochester Trust & Safe Deposit Company
"	Security Trust Company of Rochester
"	Union Trust Company of Rochester
Tonawanda	The First Trust Company of Tonawanda
Troy	The Troy Trust Company

Ohio

Jeffersonville	The Milledgeville Bank
Lisbon	The Firestone Bank
Ottoville	The Ottoville Bank Company
Sugarcreek	Citizens Bank
Warren	The Union Savings & Trust Company

Pennsylvania

Abington	Abington Bank & Trust Company
Altoona	The Altoona Trust Company
Philadelphia	Land Title Bank and Trust Company
"	Liberty Title and Trust Company
"	Mitten Bank and Trust Company
"	Northern Trust Company
"	North Philadelphia Trust Company
"	The Real Estate Trust Company of Philadelphia
"	Wyoming Bank and Trust Company
Pittsburgh	The Arsenal Bank
Pottsville	Safe Deposit Bank of Pottsville
Prospect Park	Prospect Park State Bank
Rankin	The Rankin Bank

Tennessee

Covington	Tipton County Farmers Union Bank
Paris	Commercial Bank & Trust Co.

Texas

Houston	Houston Land & Trust Company
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Utah

Salt Lake City	First Security Trust Company
"	Zion's Savings Bank and Trust Company

Vermont

Barton
Bellows Falls
Brattleboro

The Barton Savings Bank and Trust Company
Bellows Falls Trust Company
Brattleboro Trust Co.

Wisconsin

Cudahy
Marshfield

Cudahy State Bank
Central State Bank

Nonmember Banks with Principal Places of Business in Territories,
Insular Possessions, or Foreign Countries

Canada

Montreal

Bank of Montreal (including agencies at New York City, Chicago, and San Francisco)

"

The Royal Bank of Canada (including agency at New York City)

Toronto

The Bank of Nova Scotia (including agencies at New York City and Boston)

"

The Canadian Bank of Commerce (including agencies at New York City, Portland, Ore., San Francisco, and Seattle)

"

The Dominion Bank (including agency at New York City)

England

London

Banque Belge pour l'Etranger (Overseas) Limited (including agency at New York City)

"

Barclays Bank (Dominion, Colonial and Overseas) (including agency at New York City)

France

Paris

Societe Generale pour favoriser le developpement du Commerce et de l'Industrie en France (including agency at New York City)

Hawaii

Honolulu

Bank of Hawaii

"

Bishop National Bank of Hawaii at Honolulu

Italy

Milan

Banca Commerciale Italiana (including agency at New York City)

Switzerland

Basle

Swiss Bank Corporation (including agency at New York City)

Zurich

Crédit Suisse (including agency at New York City)

December 31, 1940

R-765a

BANKS INCLUDED IN THE DECEMBER 31, 1939 LIST (R-593a) OF BANKS WHICH HAD IN FORCE AGREEMENTS WITH THE BOARD PURSUANT TO THE PROVISIONS OF SECTION 8(a) OF THE SECURITIES EXCHANGE ACT OF 1934, BUT WHICH ARE NO LONGER IN OPERATION AS NONMEMBER BANKS

Indiana

West College Corner
(P.O. College Corner, Ohio)

The Farmers State Bank of West College Corner, Indiana
(Admitted to Federal Reserve membership on May 28, 1940)

Missouri

Kansas City

Mercantile Home Bank & Trust Company
(Admitted to Federal Reserve membership on December 12, 1940)

New Jersey

North Bergen

Woodcliff Trust Company
(Absorbed by the Commonwealth-Merchants Trust Company, Union City, N. J., on February 3, 1940)

New York

New York City

Banca Commerciale Italiana Trust Company
(Absorbed by Manufacturers Trust Company, New York, on February 14, 1939, and formally dissolved on May 6, 1940)

Texas

Houston

Guardian Trust Company of Houston
(Admitted to Federal Reserve membership on December 27, 1940)

Wisconsin

Milwaukee

Northern Bank 1/
(Admitted to Federal Reserve membership on December 23, 1940)

1/ The Northern Bank was not included in the list dated December 31, 1939, but was added to that list by the Board's letter of October 10, 1940 (R-712).

December 31, 1940

R-765b

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 11, 1941
R-766

Dear Sir:

In order to provide a current statistical analysis of the reserve position of member banks, it will be appreciated if you will furnish the Board with the following data:

1. Summary statements in accordance with the attached form R-766a covering, respectively, (1) central reserve city banks (if any), (2) reserve city banks, (3) country banks in places with a population of 100,000 or more according to the 1940 census, (4) country banks in places with a population of 15,000 or more but less than 100,000, and (5) country banks in places with a population of less than 15,000. Banks in central reserve cities with permission to carry the same reserves as banks in reserve cities should be classified as reserve city banks, and banks in central reserve and reserve cities with permission to carry the same reserves as banks outside such cities should be classified as country banks. The enclosed mimeographed statements issued by the Bureau of the Census may be used in making the population grouping of country banks.

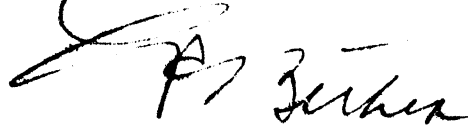
2. A supplementary statement showing the information called for by form R-766b, attached, covering (1) each member bank included in the first two percentage groups on form R-766a, and (2) each member bank not included in these two percentage groups but which on December 31, 1940 reported "due to" domestic banks amounting to more than one-third of "due from" domestic banks.

We should like to have the summary statements on form R-766a reach the Board's offices not later than Friday, January 31. Accordingly, it is suggested that any of them that cannot be forwarded by regular mail or air mail in time to reach the Board's offices on that date be telegraphed. If a statement is telegraphed the code words shown on form R-766a should be used to designate the various items of information called for by the form. The supplementary statements on form R-766b should be mailed in time to reach the Board's offices by February 3, if practicable. It will be observed from the instructions appearing on form R-766a that reports of deposits for the semi-monthly

period ended December 15, 1940 may be used in lieu of reports for the semi-monthly period ended January 15, 1941, in so far as that may be necessary to insure our receipt of the summary data on time. It is highly desirable, however, that the number of banks for which such substitutions are made be kept at a minimum. Accordingly, special efforts should be made to obtain a current report of deposits from every member bank.

A supply of forms R-766a and R-766b, for your use in furnishing the Board with the desired data, is being sent to you under separate cover.

Very truly yours,



L. P. Bothca,
Assistant Secretary.

Enclosures

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS



(All amounts should be averages of daily figures for the week ended Wednesday, January 15, 1941. Reserve balances should be obtained from the Federal Reserve Bank's books. Deposits and balances due from domestic banks should be obtained from semi-weekly, weekly, and semi-monthly reports of deposits submitted for reserve computation purposes. Balances due from domestic banks should correspond with column 2 in such reports and, accordingly, should exclude cash items in process of collection. If, in the case of a few country banks, the reports of deposits for the semi-monthly period ended January 15, 1941 are not received in sufficient time, the daily averages for the entire semi-monthly period ended December 15, 1940 may be substituted in so far as deposits and balances with domestic banks are concerned, but reserve balances should in all cases cover the week ended January 15, 1941. In such cases the Board should be furnished by mail with a statement showing the name and location of each bank for which a substitution was made, also the amounts of its net demand deposits, time deposits, reserve balances, and balances due from domestic banks. A revised summary report on this form should be rendered to the Board as soon as the missing reports of deposits have been received. See accompanying letter for further instructions.)

Federal Reserve District _____

Class of banks _____

(Amounts in thousands of dollars)

Percentage ratios of reserve balances to twice basic statutory reserve requirements ^{1/}	Total number of banks in the percentage group	Net demand deposits	Time deposits	Basic statutory reserve requirements doubled ^{1/}	Reserve balances	Excess of reserve balances over twice basic statutory reserve requirements	Balances due from domestic banks	Number of banks with the following ratios of balances due from domestic banks to twice basic statutory reserve requirements					
								Less than 50%	50% or more but less than 100%	100% or more but less than 150%	150% or more but less than 200%	200% or more	
								AKER	ALIN	AMOL	APIK	AREA	
	ABAK	ADAR	AFAM	ANON	AGRA	ACAD	AHOY						
1. Less than 100.....	2/												
2. 100 or more but less than 125.....	2/												
3. 125 " " " " " 150,.....													
4. 150 " " " " " 175.....													
5. 175 " " " " " 200.....													
6. 200 or more													
7. Total													

^{1/} Basic statutory reserve requirements, doubled, on net demand deposits are 26 per cent for central reserve city banks, 20 per cent for reserve city banks, and 14 per cent for country banks; on time deposits 6 per cent for all classes of member banks.

^{2/} A supplementary statement on form R-766b should be furnished covering each of these banks and each bank which, on December 31, 1940, reported "due to" domestic banks amounting to more than one-third of "due from" domestic banks.

SUPPLEMENTARY STATEMENT FOR ANALYSIS OF AVERAGE RESERVE POSITION
OF MEMBER BANKS DURING THE WEEK ENDED JANUARY 15, 1941

Name of bank _____ Class^{1/} _____

Location: _____
City State F.R. District No.

Daily Average Figures

(Thousands of dollars)

- 1. Net demand deposits _____
- 2. Time deposits _____
- 3. Basic statutory reserve requirements, doubled _____
- 4. Reserve balance _____
- 5. Excess of reserve balance over twice basic statutory
reserve requirements _____
- 6. Balances due from domestic banks _____
- 7. Per cent, item 4 ÷ item 3 _____
- 8. Per cent, item 6 ÷ item 3 _____

December 31, 1940 Figures

- 9. Reserve balance (call report Schedule D, item 7) _____
- 10. Due from domestic banks (call report Schedule D, item 2) _____
- 11. Due to domestic banks (call report Schedule E, item 4) _____

^{1/}Central reserve and reserve city banks should be designated "central reserve city" and "reserve city" as the case may be; country banks should be designated as "country-100,000", "country-15,000 to 100,000", or "country-under 15,000", depending on the population of the places in which located.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

24

R-767

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 13, 1941.

Dear Sir:

For your information there is enclosed a copy of Procurement Circular #46, issued by the War Department on December 31, 1940. One copy of the circular has been mailed to the field representative at each of your branches, if any.

As you will note, this circular has been distributed to contracting officers of the Army and relates to assignment of claims and to set offs of indebtedness of the assignor arising independently from the contract. War Department Circular AR-5200, of which Procurement Circular #46 is an amendment, relates to the duties of procurement officers and is not available for distribution to the Federal Reserve Banks.

Very truly yours,

E. L. Smead, Chief,
Division of Bank Operations.

Enclosure

TO THE FIELD REPRESENTATIVE OF EACH FEDERAL RESERVE BANK

COPY TO FIELD REPRESENTATIVES AT ALL BRANCHES



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

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R-768
ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 14, 1941

Dear Sir:

There is enclosed for your information a copy of a letter, dated January 7, 1941, from Mr. Henry H. Heimann, Executive Manager, National Association of Credit Men, to which is attached a list of the Association's local offices throughout the United States.

Mr. Heimann states he has had many letters suggesting that the local offices of the National Association of Credit Men would be pleased to hold meetings, inviting all small business executives to attend, if representatives of the Reserve Banks would address the meetings and explain the Defense Program. Mr. Heimann suggests that the Reserve Bank field representatives contact these local offices.

I have advised Mr. Heimann that I would forward a copy of his letter to you with the suggestion that your field representatives cooperate fully with the local offices of the National Association of Credit Men in all matters pertaining to National Defense.

A copy of this letter, with enclosures, has been sent to the field representative at your head office and each of your branches, if any.

Very truly yours,

A handwritten signature in cursive script that reads "Ernest G. Draper".

Ernest G. Draper

Enclosures 2

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

COPY TO FIELD REPRESENTATIVES

(Enclosures to Presidents and field representatives only)

NATIONAL ASSOCIATION OF CREDIT MEN

R-768a

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Executive Offices - One Park Avenue

New York, N. Y.

January 7, 1941.

Hon. Ernest G. Draper
Federal Reserve Board
Washington, D. C.

Dear Ernest:

By bulletin I advised our local offices about the part the Federal Reserve System would take in developing interest in the defense program among small business enterprises. I have had many letters suggesting that the local offices would be pleased to hold meetings at which they would invite all small business executives if your representatives would address these men and explain the whole program to them. I really believe this affords you one of the best ways of getting it before the smaller business executives.

As you know, we have 118 offices throughout the United States and each one of these local offices holds monthly meetings. Furthermore, our membership generally comprises most of the business organizations in the area. I might suggest that if it were consistent you may desire to bulletin your representatives asking them to get in contact with our local offices. You will find a ready response. Naturally our only purpose is to try and be helpful in the matter and I do believe we have a medium that could be used to good advantage and it would be a patriotic service we would be delighted to undertake. For your information, I am attaching a list of our various offices.

Sincerely yours,

(Signed) Henry H. Heinann

Henry H. Heinann
EXECUTIVE MANAGER

HHH:LS

NATIONAL ASSOCIATION OF CREDIT MEN
SECRETARY MANAGER LIST AS OF JULY 1940

- Akron, Ohio - (Branch of Cleveland) Akron Credit Club, J.M.McChesney, First-Central Trust Co.
- Albany, N.Y. - Eastern N.Y.A.C.M., Clark V.Hendee, P.O.Box 590
- Albuquerque, N.Mex. (Branch of El Paso, Tex.) Wholssale C.A. of New Mexico
H. V. Vance, 214 Korber Bldg., P.O.Box 1334
- Allentown, Pa. - Lehigh Valley-Berks Cr.Assn. Inc., J.H.J.Reinhard, 501 Hunsicker Bldg.
- Amarillo, Tex. (Branch of El Paso, Tex.) Tri-State A.C.M., George G. Boyd,
P.O.Box 1820
- Atlanta, Ga., Atlanta A.C.M., C. H. Whitworth, 41 Exchange Place
- Austin, Texas - Austin Wholesale Credit Men's Assn., Inc., Horace C. Barnhart,
P.O.Box 1016
- Baltimore, Md., Baltimore, A.C.M., Norman McKinney, 19 E. Fayette St.,
- Bellingham, Wash. - Bellingham A.C.M., W. F. Fisher, 520 Bellingham Nat.Bank Bldg.
- Billings, Mont., Montana-Wyoming A.C.M., M.J.Davies, 439-441 Stapleton Bldg.
- Binghamton, N.Y. - The Triple Cities A.C.M., Miss Catherine O'Donnell, 31 Exchange St.
- Birmingham, Ala. - Alabama A.C.M., W. C. Darby, 516 Lyric Bldg.
- Bluefield, W.Va., Bluefield A.C.M., Clyde B. Smith, P.O.Box 449
- Boston, Mass., Boston Credit Men's Assn., Joseph M. Paul, 38 Chauncy St.
- Bridgeport, Conn., Bridgeport A.C.M., Miss Anna May Dean, Bridgeport Switch Co.
- Bristol, Va., Bristol A.C.M., Geo. D. Helms, P.O.Box 333
- Buffalo, N.Y., Credit Assn. of Western N.Y., Ira D. Johnson, 50 Court St.
- Burlington, Iowa, Burlington A.C.M., Jesse L. Thomas, 614-16 Iowa State Bank Bldg.
- Canton, O., Canton Chapter of the Cleveland A.C.M., Robert Wood, 838 Renkert Bldg.
- Cedar Rapids, Iowa, Cedar Rapids A.C.M., Milo H. Hanzlik, 619 Higley Bldg.
- Charleston. W.Va., Charleston A.C.M., Ira W. Belcher, 804 Quarrier St.
- Charlotte, N.C., Credit Men's Assn. of the Carolinas, C.B. Smith, P.O.Box 668
- Chattanooga, Tenn., Chattanooga A.C.M., G. Royal Neese, 1124 Hamilton Natl.Bk.Bldg.

Chicago, Ill., Chicago A.C.M., F. H. Schrop, 222 No. Bank Drive
Cincinnati, Ohio, Cincinnati A.C.M., Harry W. Voss, 720 Temple Bar Bldg.
Clarksburg, W. Va., Central West Va. Credit & Adj. Bureau Inc., U. R. Hoffman
410 Union Natl. Bank Bldg.
Cleveland, Ohio, Cleveland A.C.M., Hugh Wells, 410 Leader Bldg.
Dallas, Texas - Dallas Wholesale Credit Men's Assn., Paul A. Kerin, 525 Santa Fe
Bldg.
Davenport, Iowa, Tri-City Credit Men's Assn., H.B. Betty, 1001 First Natl. Bank
Bldg.
Dayton, Ohio, Dayton A.C.M., Frank O. Hax, 303-Eleven W. Monument Bldg.
Denver, Colo., Rocky Mountain A.C.M., J.B. McKelvy, 810-14th St. Bldg.
Des Moines, Iowa, Des Moines Cr. Men's Assn., Don E. Neiman, 1015 Valley Natl.
Bk. Bldg.
Detroit, Mich., Detroit A.C.M., L.E. Phelan, Detroit Savings Bank Bldg.
Duluth, Minn., Duluth-Superior District Credit Assn., E.G. Robin, 405 Christie Bldg.
Elmira, N.Y., Elmira Assn. of Credit Men, James E. Personius, Robinson Bldg.
El Paso, Texas, Tri-State A.C.M., J.L. Vance, 620 Caples Bldg.
Evansville, Ind., Evansville A.C.M., Victor Ahrens, 501 Old National Bank Bldg.
Fargo, N. Dak., Fargo-Moorhead A.C.M., E. C. Boelter, 602½ Center St., P.O. Box 64
Fort Wayne, Ind., Fort Wayne A.C.M., Fred K. White, 314 Transfer Bldg.
Fort Worth, Texas, Fort Worth A.C.M., W.O. Anderson, 215 W.T. Waggoner Bldg.
Grand Forks, N. Dak., Grand Forks A.C.M., Oscar A. Odegaard, % Armour & Co.
Fresno, Calif., Fresno Chapter Mgrs. Ass'n. of No. & Central California,
M. F. Troxell - 537 Brix Bldg.
Grand Rapids, Mich., Grand Rapids A.C.M., Edward DeGroot, 602 Assn. of Commerce
Bldg.
Great Falls, Montana, Northern Montana A.C.M., V.L. Nelson, P.O. Box 1784
Green Bay, Wis., Northern Wisconsin-Michigan A.C.M., R.C. Creviston, P.O. Box 626
Harrisburg, Pa., Harrisburg A.C.M., Earl V. Glace, % Devine & Yungel Shoe Mfg. Co.
Hartford, Conn., Hartford A.C.M., R.J. Bertina, % New Britain Natl. Bank,
New Britain, Conn.

Helena, Mont. - Helena A.C.M., Aubrey M. Holter, 26 West Sixth Avenue
 Honolulu, Hawaii, Honolulu A.C.M., H. W. Helbush, 316 S.M.Damon Bldg.
 Houston, Texas, Houston A.C.M. Inc., Stuart F. LaChance, 919 M. & M. Bldg.
 Huntington, W. Va., Tri-State A.C.M., C. C. Harrold, 228 First Huntington Natl.
 Bk. Bldg.
 Indianapolis, Ind., Indianapolis A.C.M., Merritt Fields, Peoples Bank Bldg.
 Jackson, Mich., Jackson A.C.M., Lewis O. Atherton, 127 N. Wisner St.
 Jacksonville, Fla., Jacksonville Unit of the N.A.C.M., A.J.Schneider, % Crane Co.
 Jamestown, N. Y., Jamestown A.C.M., Albert K. Langham, P.O.Box 775
 Johnstown, Pa., Credit Assn. of Western Pa., John R. Vogle, 634 Swank Bldg.
 Kalamazoo, Mich., Credit Assn. of Southwestern Michigan, Geo. H. Martin,
 343 N.Rose St.,
 Kansas City, Mo., Kansas City A.C.M., L.C.Smith, 316 Carbon & Carbide Bldg.
 Knoxville, Tenn., Knoxville A.C.M., W.A.DeGroat, P.O.Box 2183
 Lansing, Mich., Lansing A.C.M., Lawrence Kowalk, % Mill Supplies Corp.
 Lewiston, Idaho, Lewiston Wholesale Credit Assn., Frank Morris, 307 Breier Bldg.
 Lexington, Ky., Lexington C.M.A., (Under Louisville) S.J.Schneider, 320 Security
 Trust Bldg.
 Lincoln, Nebr., Lincoln A.C.M., W.C.Steffensmeyer, % Sidles Co.
 Little Rock, Ark., Little Rock A.C.M., Mrs. L. Periman, 219 Pyramid Bldg.
 Los Angeles, Calif., Los Angeles Credit Men's Assn., S.P.Chase, 111 W. 7th St.
 Louisville, Ky., Louisville Credit Men's Assn., S.J.Schneider, 320 W. Main St.
 Manila, Philippine Islands, Assn. of Credit Men, Inc., (P.I.) J. J. Reynolds,
 P.O.Box 882
 Memphis, Tenn., Memphis A.C.M., E.C.Correll, 802 McCall Bldg., P.O.Box 344
 Milwaukee, Wis., Milwaukee A.C.M., Herman S.Garness, 632 Milwaukee Gas & Light Co.
 Bldg.
 Minneapolis, Minn., Minneapolis A.C.M., H.S.Holbrook, 420 Rand Tower
 Nashville, Tenn., Nashville A.C.M., W.M.Schwalm, 705 Stahlman Bldg.
 Newark, N. J., New Jersey A.C.M., William H. Whitney, 11 Hill St.

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- New Haven, Conn., New Haven A.C.M., Geo. H. Preiss, % Winchester Repeating Arms
- New Haven, Conn., Connecticut Assn. C.M., Eugene N. Dietler, 23 Temple St.
- New Orleans, La., New Orleans Credit Men's Assn., Fred L. Lozes, 1007 Queen & Crescent Bldg.
- New York, N.Y., New York Credit Men's Assn., Wm. Walter Orr, 354 Fourth Ave.
- Norfolk, Va., Norfolk-Tidewater A.C.M., B.V.Reynolds, Frank G. Ennis Paper Co.
- Oakland, Calif., Wholesalers Credit Assn. of Oakland, Kenneth S.Thomson,
218 Central Bk.Bldg.
- Oklahoma City, Okla., Oklahoma Wholesale Credit Men's Assn., M.D.Pemberton,
901 Cotton Grain Exchange Bldg.
- Omaha, Nebr., Omaha A.C.M., Sunderland Bldg. G.P.Horn, 15th & Harney Sts.,
- Oshkosh, Wisconsin, Central Wisconsin A.C.M., Charles D.Breon, 311 1st Natl.
Bk.Bldg.
- Parkersburg, W.Va., Parkersburg-Marietta A.C.M., R.C.Lantz, % Parkersburg Iron & Steel
- Peoria, Ill., Peoria Assn. of Credit Men, Ernest L.LaBarr, 309 S.Jefferson St.
- Philadelphia, Pa., Credit Men's Assn. of Eastern Pennsylvania, J.Stanley Thomas,
800 Land Title Bldg.
- Phoenix, Ariz., Wholesalers C.A. of Arizona, R.V.Willis, 228 Industrial Bldg.
- Pittsburgh, Pa., Credit Assn. of Western Penna., H.M.Oliver, Westinghouse Bldg.
- Portland, Oregon, Portland A.C.M., E.W.Johnson, 471 Pittock Block
- Providence, R. I., Rhode Island A.C.M., Henry T. Farrell, 87 Weybosset St.
- Pueblo, Colo., Pueblo A.C.M., L. H. Myers, 507 Thatcher Bldg.
- Richmond, Va., Richmond A.C.M., Harry F.Boswell, P. O.Box 1178
- Roanoke, Va., Roanoke A.C.M., H.W.Hobson, P.O.Box 2045
- Rochester, N. Y., Rochester A.C.M., Jack Cogswell, 34 State St.
- Sacramento, Calif., Sacramento-Stockton Chapter, Credit Mgrs., Ass'n. of No.& Cent.
Calif., C.J.Morrissey, 713 Forum Bldg.
- Saginaw, Mich., Northeastern Mich. A.C.M., F.M.Carle, 212 N. Mason St.
- St. Joseph, Mo., St. Joseph A.C.M., Frank E. Seay, Dugdale Packing Co.

St. Louis, Mo., St. Louis A.C.M., Orville Livingston, 800 Commercial Bldg.

St. Paul, Minn., St. Paul A.C.M., T.E.Reynolds, 801 Guardian Bldg.

Salt Lake City, Utah, Inter-Mountain A.C.M., Robert Peel, 321 Utah Oil Bldg.

San Antonio, Tex., San Antonio Wholesale Credit Men's Assn., James Caldwell
Wm. Van Hoogenhuyze Hdwe. Co.

San Diego, Calif., San Diego Wholesale Credit Men's Assn., Lawrence Holzman
508 Commonwealth Bldg.

San Francisco, Calif., Credit Mgr's Assn. of Northern & Central Calif.
O.H.Walker, 333 Montgomery St.

Seattle, Wash., Seattle A.C.M., C.P.King, Marion Bldg.

Shreveport, La., Shreveport Wholesale Credit Men's Assn., John A.B.Smith, 214
Ardis Bldg.

Sioux City, Iowa, Interstate A.C.M., P.A.Lucey, 436 Davidson Bldg.

Sioux Falls, S.Dak., Sioux Falls A.C.M., Harold Flater, % Brown Saenger Co.

South Bend, Ind., South Bend A.C.M., E.J.Payton, 413 Pythian Bldg.

Spokane, Wash., Spokane Merchants Assn., C.O.Bergen, 718 Realty Bldg.

Springfield, Ill., Springfield A.C.M., Miss Eda Mueller, Geo.A.Mueller Co.

Springfield, Mass., Western Mass. A.C.M., Allister R.Tulloch, 11 Court House Pl.

Syracuse, N. Y., Syracuse A.C.M., Joseph E.Reese, 208 Herald Bldg.

Tacoma, Wash., Tacoma A.C.M., Edw. B. Lung, P.O.Box 1346

Tampa, Fla., Tampa A.C.M., P.O.Box 2128

Terre Haute Ind., Terre Haute A.C.M., Miss Wanita Gilchrist, Mid Continent
Petroleum, Milks Bldg.

Toledo, Ohio, Toledo A.C.M., Dan W. Cauley, 316 Commerce Guardian Bank Bldg.

Utica, N.Y., Utica A.C.M., Inc., Helen J. Switzer, 2602 Genesee St.

Waco, Texas, Waco A.C.M., Lew W. Mayes, Behrens Drug Co.

Washington, D. C., Washington A.C.M., F.S.Dixon, Bowen Bldg. 815-15 St. N. W.

Waterbury, Conn., Waterbury A.C.M., H.G.Pinter, Chase Brass & Copper Co.

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Waterloo, Iowa, Waterloo A.C.M., James C. Graham, 314 Insurance Bldg.

Wheeling, W.Va., Wheeling A.C.M., E.K.Pfeil, 206 National Bank of W.Va.Bldg.

Wichita, Kansas, Wichita A.C.M., Inc. M. E. Garrison, 429 First Natl. Bank Bldg.

Worcester, Mass., Worcester County A.C.M., Farnsworth Chapin, Graton & Knight Co.

Youngstown, Ohio, Youngstown, A.C.M., O.E.Johnson, 318 Mahoning Bank Bldg.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 16, 1941

Dear Sir:

This office has been furnished with a substantial number of copies of a pamphlet "Defense Contracts Awarded by Federal Reserve Districts and Industrial Areas June 1 to December 31, 1940", recently prepared by the Bureau of Research and Statistics of the National Defense Advisory Commission. Twenty-five copies of the pamphlet are being mailed to the field representative at your head office and ten copies to the field representative at each of your branches, if any.

Very truly yours,

A handwritten signature in cursive script, reading "E. L. Smead".

E. L. Smead, Chief,
Division of Bank Operations.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS
COPY TO FIELD REPRESENTATIVES WITH THE PAMPHLETS
(Pamphlets sent to field representatives only)

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

STATEMENT FOR THE PRESS

For release in morning papers,
Friday, January 17, 1941

The following summary of general business and financial conditions in the United States, based upon statistics for December and the first half of January, will appear in the February issue of the Federal Reserve Bulletin and in the monthly reviews of the Federal Reserve Banks.

Industrial activity continued at a high rate in December and the first half of January and distribution of commodities to consumers was maintained in large volume. There was some increase in wholesale commodity prices.

Production

Volume of industrial production showed little change from November to December, although usually there is a decline at this season, and consequently the Board's adjusted index rose further by four points to 136 per cent of the 1935-39 average. Steel ingot production was sustained at about 96 per cent of capacity. New orders for steel continued large, according to trade reports, and were equal to or slightly greater than production; consequently the volume of unfilled orders remained at about the peak level reached in November. In the first half of January steel output increased to around 98 per cent of capacity. Activity in the machinery, aircraft, and shipbuilding industries continued to increase sharply and working forces were expanded further. In

these lines and in some others, such as wool textiles, unfilled orders are exceptionally large, owing in the main to the defense program.

Automobile production declined somewhat more than seasonally in December following an unusually large volume of output in November and October. Retail sales of new cars during the last quarter of 1940 were about one-fourth greater than in the corresponding period last year and used car sales also were large. In the nonferrous metals industries activity increased further in December and output of lumber and cement showed less than the usual seasonal decline.

Textile production, which in November had exceeded the previous record levels reached a year ago, continued at this high rate in December, not showing the usual seasonal decrease. At cotton and rayon mills, activity increased somewhat further and at wool textile mills output was sustained at peak rates. In the shoe industry, where output had been in reduced volume during the first ten months of the year, there was less than the usual seasonal decline in November and December and, on a seasonally adjusted basis, production was close to earlier peak levels.

At mines bituminous coal production declined less than seasonally and anthracite production increased. Output of crude petroleum showed a reduction in December owing mainly to the fact that wells in Texas were closed for ten days as compared with nine days in November. Output of metals continued in large volume.

Value of construction contract awards, as reported by the F. W. Dodge Corporation, increased contraseasonally in December, reflecting further sharp increases in awards for defense construction and private

nonresidential building. Contracts for private residential building declined by somewhat less than the usual seasonal amount.

Distribution

Distribution of commodities to consumers increased more than seasonally in December. Department and variety store sales showed the customary sharp expansion during the Christmas season and sales at mail-order houses rose more than is usual at this time of year.

Freight-car loadings showed a seasonal decline from November to December. Shipments of forest products and miscellaneous freight decreased less than seasonally, while ore loadings, which had been unusually large in November, declined sharply.

Wholesale commodity prices

Basic commodity prices generally increased from the middle of December to the middle of January, following little change during the preceding four weeks. Currently these prices are substantially above the level prevailing last summer. Increases in the past month were most marked for foodstuffs, especially hogs, pork, lard, and cottonseed oil, but there were advances also in a number of industrial materials, particularly pig iron, cotton, cotton goods, paint materials, and hides. Steel scrap prices, after increasing during most of the period, subsequently declined and lumber prices also decreased somewhat from the sharply advanced peak reached in November.

Bank credit

Total loans and investments at reporting member banks in 101 leading cities continued to increase substantially during the six weeks

ending January 8, reflecting principally increases in holdings of United States Government obligations at New York City banks. Commercial loans rose somewhat further while loans to New York security brokers and dealers, which had increased in December, subsequently declined somewhat.

Excess reserves, after declining during the first half of December, have since increased to about \$6,900,000,000. The increase reflected reductions in Treasury deposits with the Reserve Banks, a continued inflow of gold, and since Christmas a seasonal return flow of currency from circulation.

United States Government security prices

Prices of United States Government securities reacted somewhat after reaching record high levels early in December. Bonds of 1960-65 showed on January 8 a net decline of about $2 \frac{3}{8}$ points from the all-time peak of December 10 but subsequently fluctuated somewhat above this level. The yield on this issue, which was 2.03 per cent at the peak in prices, was 2.16 per cent on January 14.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-771

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 16, 1941



Dear Sir:

There is attached a copy of the report of expenses of the main lines of the Federal Reserve Leased Wire System for the month of December 1940.

Please credit the amount payable by your Bank to the Board, as shown in the last column of the statement, to the Federal Reserve Bank of Richmond in your daily statement of credits through the Interdistrict Settlement Fund for the account of the Board of Governors of the Federal Reserve System, and advise the Federal Reserve Bank of Richmond by mail the amount and purpose of the credit.

Very truly yours,

A handwritten signature in cursive script, reading "O. E. Foulk".

O. E. Foulk,
Fiscal Agent.

Enclosure

TO PRESIDENTS OF ALL FEDERAL RESERVE BANKS
EXCEPT RICHMOND

R-771-a

REPORT OF EXPENSES OF MAIN LINES OF FEDERAL RESERVE
LEASED WIRE SYSTEM FOR THE MONTH OF DECEMBER 1940

Federal Reserve Bank	Number of Words Sent	Words Sent by N. Y. Chargeable to Other F.R. Banks	Total Words Chargeable	Pro Rata Share of Total Expenses (1)	Expenses Paid by Banks and Board (2)	Payable to Board of Governors
Boston	29,633	692	30,325	\$ 508.93	\$ 340.17	\$ 168.76
New York	83,906	-	83,906	1,408.15	868.68	539.47
Philadelphia	23,419	695	24,114	404.69	240.53	164.16
Cleveland	40,348	696	41,044	688.82	286.61	402.21
Richmond	44,241	692	44,933	754.09	330.96	423.13
Atlanta	44,055	691	44,746	750.95	241.41	509.54
Chicago	66,909	737	67,646	1,135.26	1,273.98	138.72(a)
St. Louis	43,427	692	44,119	740.42	230.94	509.48
Minneapolis	19,423	692	20,115	337.58	190.69	146.89
Kansas City	40,601	692	41,293	693.00	273.01	419.99
Dallas	37,084	777	37,861	635.40	272.78	362.62
San Francisco	54,010	695	54,705	918.08	430.32	487.76
Board of Governors	372,894	-	372,894	6,258.07	10,253.36	-
Total	899,950	7,751	907,701	\$15,233.44	\$15,233.44	\$4,134.01 138.72(a) \$3,995.29

- (1) Based on cost per word (\$.016782443) for business handled during the month.
- (2) Payments by Banks are for personal services and supplies and payments by Board are for personal services and supplies (\$1,157.98) and wire rental (\$9,563.10) less amount (\$467.72) representing reimbursement for the cost of sending messages between the Washington office of the Leased Wire System and the local telegraph offices of the Treasury, Reconstruction Finance Corporation, and the Commodity Credit Corporation. Personal services include salaries of main line operators and of clerical help engaged in work on main line business, such as counting the number of words in messages; also overtime and supper money and Retirement System contributions at the current service rate.
- (a) Credit--reimbursable to Chicago.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

STATEMENT FOR THE PRESS

For release in afternoon newspapers
of Friday, January 17, 1941

January 16, 1941

The Board of Governors of the Federal Reserve System has adopted the attached amendment to Regulation U, Loans by Banks for the Purpose of Purchasing or Carrying Stocks Registered on a National Securities Exchange.

The amendment, which becomes effective February 17, 1941, is essentially technical. Its principal purpose is to reconcile provisions of Regulation U with rules recently issued by the Securities and Exchange Commission with respect to the hypothecation by brokers or dealers of securities carried by them for the account of customers (Rule X-8C-1 and Rule X-15C2-1), which become effective on February 17, 1941.

These SEC rules, in order to safeguard the rights of customers in their securities, provide among other things that when a broker or dealer borrows on any customers' securities he must not commingle them with his own under the same pledge. The amendment to Regulation U takes account of this requirement by providing, in effect, that any indebtedness of a broker or dealer that is secured by customers' securities shall be treated separately from any of his other indebtedness.

There are provisions, however, both in the SEC rules and in Regulation U, which permit an agreement between the borrower and the lender by which securities belonging to the broker or dealer himself may be used as supplementary collateral for a loan secured by securities of his customers.

In addition to making changes necessitated by the SEC rules, the amendment to Regulation U provides for a simple mechanism by which collateral that is used to meet the requirements of Regulation U may be earmarked and distinguished from other collateral which, even though it secures a loan subject to the regulation, is not used for the purpose of meeting those requirements. This will simplify operations under the regulation, especially in cases involving loans to a broker and dealer in securities who has at the bank both a loan that is subject to the Board's margin requirements and a loan that is not subject to these requirements. In connection with this mechanism, collateral which must be used to meet the Board's margin requirements for certain loans to brokers and dealers may be used for other purposes only to a limited extent. In particular, it may not be used to enable the borrower to obtain on the basis of the same collateral both a loan subject to the Board's margin requirements and a loan not subject thereto. This restriction, however, does not apply to the use of collateral for purposes of maintaining both loans, provided both loans have been properly made in the first place.

One effect of the amendment will be to enable banks which

must revise any of their loan agreements with brokers or dealers as a consequence of the SEC rules to do so with a minimum of inconvenience.

The amendment does not require any bank to reduce any loan, to obtain additional collateral for any loan, or to call any outstanding loan because of insufficient collateral.

Amendment No. 4 of Regulation U - Effective February 17, 1941.

Regulation U and the Supplement thereto are hereby amended in the following respects, and such amendment shall become effective February 17, 1941, but any bank may, at its option, conduct its operations in accordance with such amendment at any time prior to that date:

1. Section 3 of Regulation U is amended by adding the following subsections at the end thereof:

(m) Indebtedness "subject to section 1" is indebtedness which is secured directly or indirectly by any stock, is for the purpose of purchasing or carrying any stock registered on a national securities exchange, and is not excepted by section 2.

(n) In the case of any loan subject to section 1 to a broker or dealer in securities, and in the case of any such loan to any other borrower whose indebtedness the bank elects to treat for the purposes of this subsection as if it were that of a broker or dealer, the bank shall identify all the collateral used to meet the collateral requirements of section 1 and shall not cancel the identification of any part thereof except in circumstances that would permit the withdrawal of that part. Such identification may be made by any reasonable method.

In any such case --

(1) Only the collateral so identified shall have loan value for purposes of section 1 or be subject to the restrictions therein specified with respect to withdrawals and substitutions; and

(2) For any indebtedness of the same borrower that is not subject to section 1 (other than a loan described in section 2(d), (f), (g), or (h)), the bank shall in good faith require as much collateral not so identified as the bank would require (if any) if it held neither the indebtedness subject to section 1 nor the identified collateral. This rule shall not be construed, however, to require the bank, after it has made any loan, to obtain any collateral

therefor because of any decline in the value or quality of the collateral or in the credit rating of the borrower.

(o) This subsection applies to any case in which indebtedness of a broker or dealer that is subject to section 1 is secured by any securities which, according to written notice received by the bank from the broker or dealer pursuant to a rule of the Securities and Exchange Commission concerning the hypothecation of customers' securities (Rule X-8C-1 or Rule X-15C2-1), are securities carried for the account of one or more customers. For the purposes of this regulation --

(1) All such securities and all such indebtedness shall be considered separately from other collateral and indebtedness of the borrower;

(2) Only such securities shall have loan value for any such indebtedness; and

(3) All such indebtedness shall be considered a single loan and all such securities shall be considered in connection therewith, except that specified indebtedness, together with the securities treated by the bank as having loan value therefor, may be treated separately if such securities secure only such specified indebtedness and the borrower states in writing that they are carried for the account of a single customer.

2. The second paragraph of the Supplement to Regulation U is amended to read as follows:

Loans to brokers and dealers. - Notwithstanding the foregoing, a stock, if registered on a national securities exchange, shall have a special maximum loan value of 75 per cent of its current market value, as determined by any reasonable method, in the case of a loan to a broker or dealer from whom the bank (1) accepts in good faith a signed statement to the effect that he is subject to the provisions of Regulation T (or that he does not extend or maintain credit to or for customers except in accordance therewith as if he were subject thereto), and (2) receives written notice, pursuant to a rule of the Securities and Exchange Commission concerning the hypothecation of customers' securities by brokers or dealers (Rule X-8C-1 or Rule X-15C2-1), to the effect that the stock is a security carried for the account of a customer.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-773

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 21, 1941



Dear Sir:

The Board of Governors of the Federal Reserve System is advised that on Wednesday, February 12, a majority of the Federal Reserve Banks and branches will be closed in observance of the anniversary of the birth of Abraham Lincoln, and accordingly there will be neither transit nor Federal Reserve note clearing through the Interdistrict Settlement Fund on that day. For your information, the Board is advised that the following Federal Reserve Banks and branches will be open for business on February 12:

Boston	Atlanta	St. Louis
	Birmingham	Little Rock
Richmond	Jacksonville	
Baltimore	New Orleans	Kansas City
Charlotte		Oklahoma City

On Saturday, February 22, in observance of Washington's Birthday, the offices of the Board and all Federal Reserve Banks and branches will be closed.

The Board is also advised that the New Orleans Branch of the Federal Reserve Bank of Atlanta will be closed on Tuesday, February 25, 1941 in observance of Mardi Gras Day. Please include transit clearing credits of February 25 for the New Orleans Branch with your credits for the following day.

Please notify branches.

Very truly yours,

F. A. Nelson,
Assistant Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-774

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



January 22, 1941

Dear Sir:

As a result of conferences between representatives of the Reconstruction Finance Corporation and certain surety companies, the enclosed copy of agreement, which it is contemplated will be used in ordinary circumstances in financing supplies contracts, has been worked out in order to define the respective rights of the Reconstruction Finance Corporation when it finances such a contract and the surety company on a performance and/or payment bond written in connection with such contract. The copy of this agreement has been furnished us through the courtesy of representatives of the Reconstruction Finance Corporation and it is understood has been furnished to the local agencies of the Reconstruction Finance Corporation for their information. The enclosed copy is for your information and such use as you may wish to make of it. A copy of a bulletin on this subject issued by the Association of Casualty and Surety Executives to its member companies is also enclosed.

A copy of this letter, with enclosures, has been sent to the Field Representative at your head office and each of your branches, if any.

Very truly yours,

E. L. Smead, Chief,
Division of Bank Operations.

Enclosures

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS
COPY TO FIELD REPRESENTATIVES

(Enclosure to Presidents and Field Representatives only)

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-775

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



January 23, 1941

Dear Sir:

There are enclosed for your information a table showing applications for membership received by the Board during 1940, and a statement containing excerpts from the bank relations reports submitted by the Federal Reserve Banks for the month of December.

Very truly yours,

A handwritten signature in dark ink, appearing to read "L. P. Bethea". The signature is fluid and cursive, with a large initial "L" and a long horizontal stroke extending to the right.

L. P. Bethea,
Assistant Secretary.

Enclosures

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

BANKS ELIGIBLE* FOR FEDERAL RESERVE MEMBERSHIP ON DECEMBER 31,
1939, AND BANKS WHICH APPLIED FOR MEMBERSHIP DURING 1940

Federal Reserve District	Number of Nonmember Commercial Banks Eligible* for Federal Reserve Membership on December 31, 1939		Number of Banks Which Applied for Federal Reserve Membership During--		Deposits of Nonmember Commercial Banks Eligible* for Federal Reserve Membership on December 31, 1939		Deposits of Banks Which Applied for Federal Reserve Membership During--	
	Total	On Par List	December	This Year	Total	On Par List	December	This Year
	(In thousands of dollars)							
Boston	141	141	0	0	469,330	469,330	0	0
New York	224	224	6	17**	981,529	981,529	7,100	23,900
Philadelphia	225	225	0	5	550,836	550,836	0	5,000
Cleveland	475	474	0	23	577,670	577,367	0	35,900
Richmond	394	232	1	18	481,555	396,447	200	21,600
Atlanta	484	52	1	3	302,655	70,987	700	3,500
Chicago	1,219	1,079	4	66	1,114,286	1,054,464	8,700	82,900
St. Louis	664	434	3	21	428,385	309,111	2,700	12,700
Minneapolis	420	78	0	7	189,225	53,439	0	8,700
Kansas City	487	402	2	10	198,993	178,372	1,100	14,400
Dallas	282	174	3	26	154,549	110,025	10,000	23,300
San Francisco	194	182	1	5	545,398	541,768	300	5,700
Total	5,209	3,697	21	201	5,994,411	5,293,675	30,800	237,600

*By eligible banks is meant banks with sufficient capital stock to meet the minimum statutory capital requirements for Federal Reserve membership

**Includes one newly organized bank for which no deposits are shown.

January 23, 1941
Not for Publication

EXCERPTS FROM BANK RELATIONS REPORTS
FOR THE MONTH OF DECEMBER 1940

BOSTON

During December, 25 banks were visited of which 16 were member and 9 nonmember banks, all located in Connecticut.

All member banks reported loans and deposits to be on the increase and several called attention to their earnings for the year, which in every case were above the earnings for 1939. A good part of the increases was from security sales, personal loans, service charges, and income from trust departments. Lending rates continued unchanged. Service charges had been revised upward by some banks and others are contemplating similar revisions. Interest rates on savings deposits had been lowered by some banks during 1940 without loss in volume of deposits. Investment accounts showed little recent activity--there had been some buying of small amounts of Governments and municipals. The improved demand for rental properties in some communities had had the effect of reducing arrearages of taxes, overdue interest, etc., on mortgages held by some banks.

Federal Reserve activities in connection with the national defense program were discussed at all banks visited. It was found that a few loans had been made by member banks in conjunction with the Reconstruction Finance Corporation. In most instances the loan originated with the Corporation and the bank had been invited to participate. Where plant expansion was found to be in progress or contemplated, it was expansion being undertaken by large concerns and financed by them out of their own resources.

Inquiries from nonmember banks with respect to Federal Reserve Bank functions and operations were more frequent than usual. Only in one instance did such inquiries lead to a general discussion of membership. In this case the bank is a former member which withdrew from the System upon finding that a certain condition of membership hampered its operations as a State member bank. It is probable that this bank will come in later on as a national bank.

NEW YORK

During the month of December, our officers and representatives visited 38 banks, of which 25 were member and 13 nonmember institutions.

Our bank relations activities consisted in part of making follow-up visits to nonmember banks in which the managements have shown a keen interest in membership, and one of our officers accompanied by a special representative visited five Long Island banks which have recently joined the Federal Reserve System. Four applications for membership were received during the month and several other nonmember bankers have indicated that their boards of directors may take favorable action in the near future.

A number of bank officers brought up the subject of national defense loans and indicated an eagerness to advance funds against assignments of Government contracts. Several of them commented favorably on the information contained in our circular "Financing the National Defense Program", and said that whenever possible they will encourage local industries to participate in this program.

PHILADELPHIA

During the month of December, 83 banks were visited of which 27 were member and 56 nonmember institutions.

The five counties covered by this report (north central Pennsylvania) comprise 3,975 square miles with a population of 188,800. The total banking resources of \$83,169,000 are distributed among 26 member banks, which hold \$55,121,000, and 14 nonmembers, which hold \$28,048,000.

Industrial operations in these counties have improved greatly since last year and pay rolls are well in advance of recent years. Indications point to even greater increases in activity.

Banking conditions have improved slightly since last year. Many bankers report a better demand for credit, although it is almost entirely for small loans. Several institutions have been actively participating in the FHA program by granting credit of that type, while others have purchased guaranteed mortgages to bolster earnings. Results have been generally satisfactory. Loan liquidation was reported to have improved as a result of increased pay rolls.

Investment accounts continue to present problems to many banks, although improvement can be noted since last year. Holdings of railroad bonds are not so heavy as in past years, but it is in such issues that much of the existing depreciation rests. The larger banks have been increasing their Government holdings through purchases in the market, but the small institutions have acquired most of their additional Governments through subscriptions to new issues.

The interest of nonmember banks in membership in the System continued in evidence during December, when the managements of 43 banks were interviewed on the subject. One request for examination was received and the managements of several other institutions stated that they were very desirous of affiliating with the System, and would be prepared to give the matter serious consideration after the first of the year.

CLEVELAND

During the month of December 113 banks were visited, of which 74 were member banks and 39 nonmember banks. One State bank having resources of \$2,440,000 was admitted to membership in the System.

In a recent report to the Board it was stated that of five principal downtown banks in a fair-sized industrial city three had reduced the interest rate on time and savings accounts from 2 to 1 per cent, one bank had maintained the rate at 2 per cent, and the other had increased from 2 to 2-1/2 per cent. The above changes were made effective July 1, 1940.

A comparison of the published statements of these five banks between that date and the year end shows that all of the banks, with the exception of the one raising the rate, have lost deposits; the net loss was approximately 7-1/2 per cent of total time and savings accounts. The one bank increasing the rate showed a net gain for the period of about 18 per cent.

In a relatively small industrial city on the Ohio River a banker "cannot understand why bankers generally are complaining about earnings". He seemed proud to point out that his own earnings have been consistently good throughout the depression period, net for 1940 being estimated at 22 per cent of capital, which compares with 20 per cent last year.

RICHMOND

During the month of December 71 banks were visited, of which 59 were member and 12 nonmember institutions.

At the close of 1940 the economic position of the Fifth Federal Reserve District was much stronger than was indicated at the beginning of the year. This was because the national defense expenditures and defense contracts awarded were greatly augmented later in the year and superimposed on a level of business already strong.

Construction contract awards in the District, which include those for defense, amounted to \$419 millions in eleven months of 1940 against \$355 millions in a like period of 1939.

The agricultural situation looked like the weak spot at the beginning of 1940, but a marked improvement in the cotton crop and larger mixed farming returns more than offset a decline in the income from tobacco. Tobacco returns were about 30 per cent smaller than last year, but many flue-cured farmers got net returns that were satisfactory.

For ten months of 1940 the cash farm income of the Fifth Federal Reserve District totaled \$458 millions, which was \$23 millions higher than in those months of 1939. The tobacco situation is still not promising, though crop control should improve prices still further.

The Fifth District's textile industry--with prices held in reasonable bounds--hung up a new record last year, and is heading toward another in 1941. More and more mills have added a third shift. Here and there plants that had been idle for months have opened for business. Cotton mills in the Carolinas suspended only two days for Christmas instead of the entire week as is customary. Many mills report orders on hand enough to run at three-shift capacity for three months.

ATLANTA

During December 30 banks were visited, of which 12 were member banks and 18 nonmember banks.

The territory covered in Alabama is primarily agricultural, cotton being the principal money crop. Throughout the section visited in Alabama, the cotton crop was for the third consecutive year almost a complete failure. In some communities it was reported that the yield was only about 15 per cent of a normal crop.

Many of the banks in this area are experiencing slow collections, and some will sustain losses, especially in those counties depending solely on cotton. In many counties cotton acreage has been reduced and farm income is being supplemented from other sources such as lumber, beef cattle, and dairying. In these counties general business conditions were found to be much better than in the purely cotton counties, primarily as a result of the recent increased activity in the lumber business.

Production in most of the heavy capital goods industries in the Birmingham district is now at the highest level in local history.

Open hearth furnaces and blast furnaces are operating at approximately 100 per cent and, except for curtailments due to relinings and other essential replacements, there is every indication that these two basic operations of the district will continue for some time at the same operating rate. Major plant expansions are being accelerated in anticipation of increased production in many lines, notwithstanding the current high rate of operation.

Deposits in local banks are the largest in history. Loans have consistently increased in recent months but there is nothing like a normal proportion of loans to deposits. Local banks are diligently seeking loans through media of advertising, personal solicitation, etc. It is anticipated that further developments in the national defense program may increase the demand for good loans in many channels of industry and business. Real estate values remain relatively low and mortgages based on present valuations generally are conceded to be on a sound basis.

CHICAGO

During the month of December, calls were made on 38 member and 18 nonmember banks. Twelve State banks were admitted to the System, bringing the total number of admissions for the year 1940 to 64. Membership as of December 31 consisted of 543 national banks and 320 State banks, a total of 863. One member State bank has advised us that it will withdraw from the System in order to open a branch office.

Reports indicate that banks have had a uniformly profitable year, and while the loan demand has shown no important change in trend, there has been some increase in the loan portfolios of the banks since June. Banks interviewed do not seem to be disturbed over their holdings of Government bonds.

The recent Special Report to the Congress has received much favorable comment in this district, both from bankers and from industrial leaders, not only for its content but also for its timeliness, and the hope was expressed that it will become law.

Commercial activity has speeded up, and reports from the conventions being held in Chicago show an optimistic attitude on the part of manufacturers for 1941 business. Most of the conventions have the largest attendance in history. Employment continued to increase, as has building construction. Prices for farm commodities, with the exception of dairy products, have held up fairly well. The most interesting change recently from the farmers' standpoint has been the improvement in the hog market. However, it is felt that farm products as a whole are still out of line with those of industry.

ST. LOUIS

During the month of December 178 banks were visited, of which 62 are members and 116 nonmembers.

Taken as a whole the status of Illinois banks was moderately improved over a year earlier. Demand for funds has broadened to some extent, though there is still a large volume of money in many institutions seeking investment. Several bankers related that during the past several years most of their net profits have gone toward eliminating criticized assets. Comment of a number of bankers was to the effect that they believed the 3/4 per cent interest on defense bonds is much too low.

According to a report received from our Louisville Branch, a majority of the banks in Louisville report that they have received numerous inquiries regarding loans and have arranged lines of credit, but a very small amount of the credit available has been used. In fact, one banker stated his bank was seriously considering charging a commitment fee for credit lines established but not used. On the other hand, an officer of a large member bank stated that his bank had increased its loans \$6,000,000 since June 1940. Half of this increase consisted of loans made at low rates of interest to preferred lines. A considerable pick-up in the velocity of loans at this bank is also reported, \$23,000,000 having been made in a relatively short period with many liquidations in evidence. Another member bank has adopted the policy of liquidating its commercial bond account, using the funds from this source to make consumer credit loans which have proved to be profitable and satisfactory. An effort will be made to increase the volume of this type of loan until it equals the total savings deposits on the bank's books.

In December, the First Bank of Charlestown, Indiana; the Bank of Maxville, Arnold, Missouri; the First Bank and Trust Company, Cairo, Illinois, and the First State Bank of Olmsted, Illinois, became members of the Federal Reserve System. The addition of these banks brings the total membership of the Federal Reserve Bank of St. Louis to 415. During the year 1940, 21 State banks and trust companies in this district joined the System. This equals the number admitted in 1933, and is more than in any other year since 1920.

MINNEAPOLIS

During December 69 banks were visited, of which 26 were member and 43 nonmember institutions.

An officer who visited banks in North Dakota said that almost without exception the banks reported increased earnings in 1940 and

that they will pay substantial dividends. We do not have a single State member bank in North Dakota. Exchange and capital requirements are the two obstacles. One national banker said that he did not know how long the stockholders of his bank would permit him to keep his bank in the national system since the loss of exchange was substantial.

We have sent out 1,237 newspaper releases since we started this work in September; 113 of which have been released so recently, we have had no returns. The only check we have is on Minnesota; our clipping bureau does not extend into the other States. Of the localized stories, 39 per cent have been published and we have received the clippings from the Minnesota Editorial Association. Of the defense stories to publishers in Minnesota, we have received clippings from only 9 per cent. These figures are minimum figures, since there may be publications which the clipping bureau overlooks. We conclude, therefore, that the 39 per cent of clipping indicate our efforts to publicize localized stories are well worth while. With 9 per cent published, stories on defense apparently are not so well received, probably largely because they do not apply to local situations.

During the month, 146 manufacturers were interviewed at the bank by our industrial coordination department and 3 at their plants. In addition, information regarding the operations of this department was forwarded to all banks in the district, to 226 chambers of commerce, and to 50 manufacturers. Inquiry letters totaling 301 were received from banks, manufacturers, and general public, and telephone inquiries from the same sources totaled 126. Talks to luncheon clubs and other groups on financing and facilitating the defense program numbered four, with an aggregate attendance of 194.

Two meetings of manufacturers, city officials, and service organization representatives were attended for the purpose of aiding them in their attempts to form some sort of production pool for obtaining Government contracts.

KANSAS CITY

During the month of December 82 banks were visited, of which 26 were member and 56 were nonmember banks.

As regards local conditions, bankers are in good spirits. Bank earnings the past year were as a rule good and the crop outlook for next year is promising. In the so-called Dust Bowl of Kansas and the Oklahoma Panhandle it was said that the moisture received in November was the largest for that month in many years. In fact, in some places only about 40 per cent of the wheat had been drilled by December largely on account of wet ground. November and December

were unusually wet nearly everywhere in the District and the subsoil is getting a large amount of winter moisture for the first time in years.

No longer is there heard any talk of lack of confidence and some bankers mentioned the apparent return of confidence. It was sometimes pointed out that the little faith in deficit spending of recent years defeated that program as a recovery measure and consequently made impossible the inflation that was feared. Now, it was observed, with a better state of mind, an expansion of business activity and credit may easily produce the inflation that the public had come to believe was a false alarm.

In some of the small towns it is reported that these places are already beginning to suffer on account of the young men going to larger places for employment. Occasionally a bank is found that says it is having no difficulty operating under the 40-hour week but such cases are very much the exception. A good many bankers were found who seemed interested in discussing Government financing and taxable Government securities. In Kansas one of the greatest obstacles to membership still remains the opposition to deposit insurance.

There is still some complaint of shortage of demand for loans but this complaint is heard much less frequently than a year ago. Some city bankers who specialize in country bank accounts report that there has been generally a marked increase in loans of country banks and that the cash position of many of these country institutions is the smallest it has been for some time. There is great variation among banks, however, in this respect. In some institutions loans are scarcely a quarter of deposits while in other cases they are a half or two-thirds. It is said that there is quite a little borrowing by country banks from their correspondents and that others are getting close to the borrowing point.

DALLAS

On account of interruptions due to various uncontrollable causes our regular bank visitation activities were suspended during December 1940, and no visits were made during the month.

SAN FRANCISCO

During the month of December 52 banks were visited, of which 35 were member and 17 nonmember institutions.

In Los Angeles the rate of building and construction continued relatively high in 1940, although the cumulative total of permits

of 68 million dollars for the first 11 months was one per cent below the like period a year ago. Until the end of October the total was about the same this year, but November permits were off 18 per cent from last year's month. Seasonal influences are held to be responsible for a portion of this decline.

The motion picture industry, which was adversely affected by the European war, is currently regaining both volume and earning power. This reflects adjustments incidental to loss of foreign outlets, expanding domestic box office receipts, and the effect of increased sales promotion in South American markets.

Agriculture in Los Angeles County, although not participating directly in the defense industry boom, experienced some improvement in the returns from its products this year. Higher prices, large production, and record Government subsidy payments have contributed to the improved showing.

Citrus growers had the market to themselves for a large part of the summer months because of crop curtailment in Florida as a result of subnormal temperatures last winter. The California summer orange crop, however, was the second largest in history and returns, which averaged ten cents per packed box above last year, did not compensate many growers for the cost of production.

Cattle operators generally have experienced a satisfactory year. Ranges and pastures have been above normal, the cost of supplemental feed has been comparatively low, and prices of both feeder and finished livestock have been relatively high. Feeders of cattle have expanded operations in anticipation of a strong demand for beef as a result of industrial activity. The number of cattle now in feed lots is the largest in several years.

The airplane industry further expanded during the year to provide facilities to handle the enormous volume of orders from the United States and British Governments. New manufacturing space is not yet equal to the volume of new business in consequence of which backlogs are much higher than a year ago. This expansion of output has resulted in a material increase in new employment, with the present personnel understood to be about double last year. This doubtless comprises a substantial portion of the 24 per cent increase in industrial employment and 30 per cent increase in industrial pay rolls, which were reported for October.

PUBLIC RELATIONS ACTIVITIES OF FEDERAL RESERVE BANKS

December 1940

Federal Reserve Bank	Visits to Banks			Meetings Attended		Addresses Made	
	Member	Nonmember	Total	Number	Attendance	Number	Attendance
Boston	16	9	25	6	<u>1/</u>	1	50
New York	25	13	38	9	2,918	2	400
Philadelphia	83	27	56	8	784	8	784
Cleveland	74	39	113	6	1,510	5	264
Richmond	59	12	71	10	1,583	0	0
Atlanta	12	18	30	8	930	0	0
Chicago	18	38	56	9	5,360	3	230
St. Louis	62	116	178	5	345	3	140
Minneapolis	26	43	69	5	600	8	440
Kansas City	26	56	82	9	4,313	2	275
Dallas	0	0	0	5	560	1	30
San Francisco	35	17	52	13	2,095	7	725

1/ Not reported



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

59

R-776

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 24, 1941

Dear Sir:

In accordance with the customary procedure, there is transmitted herewith, for your information, a copy of the certificate of the auditor of the Federal Reserve Bank of Atlanta in connection with his audit of the accounts and records of the Board's Fiscal Agent for the period July 1 to December 31, 1940, inclusive.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

I, E. P. Paris, hereby certify:

- (a) That a complete audit has been made of all entries in the account - "Board of Governors of the Federal Reserve System - General Fund Account" for the period July 1, to December 31, 1940, inclusive.
- (b) That all cash received by the Board as shown by the Cash Receipts Book has been deposited by the Fiscal Agent and properly credited by the Federal Reserve Bank of Richmond.
- (c) That all remittances made direct to the Federal Reserve Bank of Richmond by the Federal Reserve Banks, in compliance with the Board's instructions, have been properly placed to the credit of "Board of Governors of the Federal Reserve System - General Fund Account".
- (d) That each expenditure made by the Fiscal Agent was properly authorized by an administrative officer of the Board.
- (e) That the items of receipts and expenditures shown by the books of the Fiscal Agent have been reconciled with the items shown in the statements of the Board's account prepared by the Federal Reserve Bank of Richmond.
- (f) That the balance as shown by the books of the Fiscal Agent has been reconciled with the balance standing to the credit of the Board of Governors of the Federal Reserve System on the books of the Federal Reserve Bank of Richmond as certified to by the Auditor of that bank.

Respectfully submitted,

(Signed) E. P. Paris

E. P. Paris,
Auditor.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-777



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 25, 1941

Dear Sir:

With my letter of December 27, 1940, I forwarded to you a copy of the first report to the Board on the activities of the Federal Reserve System in connection with the defense program and advised you that future reports would be made at approximately monthly intervals. My second report, dated January 21, 1941, has now been submitted to the Board and I am pleased to enclose a copy for your information.

A copy of this letter, with enclosure, has been sent to the Field Representatives at your Head Office and each of your Branches, if any.

Very truly yours,

Ernest G. Draper
Ernest G. Draper.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS
COPY TO FIELD REPRESENTATIVES

(Enclosure to Presidents and field representatives only)



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

62

R-778

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 28, 1941

Dear Sir:

There are enclosed for your information and the information of the field representative at your Bank, one copy of each of the following bulletins relating to the farming out of contracts, issued by the National Defense Commission:

Special Areas Bulletin No. 1
For Information of Government Purchasing
Agents, Contractors and Sub-contractors

Special Areas Bulletin No. 2
For Information of Government Purchasing
Agents, Contractors and Sub-Contractors

Farming Out Bulletin No. 3
For Information of Local Defense Production
Groups Who are in a Position to Negotiate
with Prime Contractors

Additional copies of these bulletins are not now available.

Very truly yours,

Ernest G. Draper

Enclosures 3

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

(Enclosures with addressed copies only)

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-779

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



January 31, 1941

Dear Sir:

On January 10, 1941, we forwarded five copies of the report "Defense Contracts Awarded by War and Navy Departments between June 1 and November 30, 1940, Listed by Federal Reserve District" to the field representative at your head office and two copies to each of your branches, if any.

We are today forwarding the same number of copies of a Supplementary List showing the Major Defense Contracts Awarded during the Month of December 1940.

We have on hand a few copies of both these reports and if you wish additional copies we will be glad to forward you a limited number if you will advise us as to the number you desire.

Very truly yours,

A handwritten signature in cursive script that reads "Ernest G. Draper".

Ernest G. Draper

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

(Copy to field representatives)

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-780



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 7, 1941

Dear Sir:

Referring to the Board's letter R-765 of January 11, 1941, the following change took place during January in the list of nonmember banks that have in force agreements with the Board pursuant to the provisions of Section 8(a) of the Securities Exchange Act of 1934:

Deletion

Connecticut
Bridgeport

The West Side Bank

(Admitted to Federal Reserve membership
on January 15, 1941)

Very truly yours,

A handwritten signature in cursive script, appearing to read "L. P. Bethea".

L. P. Bethea,
Assistant Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS.

R-781

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

STATEMENT FOR THE PRESS

For immediate release

February 13, 1941

At the request of certain brokers and dealers in securities, the Securities and Exchange Commission has postponed the effective date of its Rule X-8C-1 and Rule X-15C2-1 relating to the hypothecation of customers' securities so that these rules will become effective on February 24, 1941 instead of the original effective date February 17, 1941. Due to the relation between these rules and Amendment No. 4 of the Board's Regulation U which was to become effective on February 17, 1941, the Board has adopted the following resolution postponing the effective date of that amendment until February 24, 1941:

"The effective date of Amendment No. 4 of Regulation U which was to have become effective February 17, 1941 is hereby postponed until February 24, 1941, but any bank may, at its option, conduct its operations in accordance with such amendment at any time prior to that date as permitted under the original amendment."

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

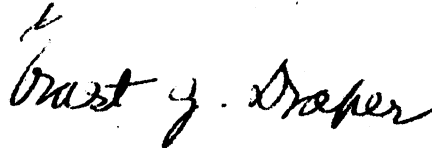
February 11, 1941

Dear Sir:

There is enclosed for your information a copy of a pamphlet "The Problems and Organization of Farming Out", issued by the Labor Division of the National Defense Advisory Commission.

Ten copies of this pamphlet are being forwarded to the field representative at your head office and three copies to the field representative at each of your branches, if any.

Very truly yours,



Ernest G. Draper

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

(Copy to field representatives)





BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

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R-783

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 14, 1941

Dear Sir:

There is attached a copy of the report of expenses of the main lines of the Federal Reserve Leased Wire System for the month of January 1941.

Please credit the amount payable by your Bank to the Board, as shown in the last column of the statement, to the Federal Reserve Bank of Richmond in your daily statement of credits through the Interdistrict Settlement Fund for the account of the Board of Governors of the Federal Reserve System, and advise the Federal Reserve Bank of Richmond by mail the amount and purpose of the credit.

Very truly yours,

A handwritten signature in cursive script, appearing to read "O. E. Foulk".

O. E. Foulk,
Fiscal Agent.

Enclosure

TO PRESIDENTS OF ALL FEDERAL RESERVE BANKS
EXCEPT RICHMOND

REPORT OF EXPENSES OF MAIN LINES OF FEDERAL RESERVE
LEASED WIRE SYSTEM FOR THE MONTH OF JANUARY 1941

Federal Reserve Bank	Number of Words Sent	Words Sent by N. Y. Chargeable to Other F.R. Banks	Total Words Chargeable	Pro Rata Share of Total Expenses (1)	Expenses Paid by Banks and Board (2)	Payable to Board of Governors
Boston	26,836	394	27,230	\$ 462.20	\$ 279.37	\$ 182.83
New York	79,769	-	79,769	1,354.00	876.19	477.81
Philadelphia	19,689	398	20,087	340.96	239.45	101.51
Cleveland	35,651	397	36,048	611.88	249.69	362.19
Richmond	42,737	397	43,134	732.16	335.21	396.95
Atlanta	43,189	396	43,585	739.81	241.76	498.05
Chicago	69,398	445	69,843	1,185.52	1,275.35	89.83(a)
St. Louis	43,689	396	44,085	748.30	247.17	501.13
Minneapolis	21,507	396	21,903	371.78	185.06	186.72
Kansas City	41,073	396	41,469	703.89	273.01	430.88
Dallas	37,818	425	38,243	649.14	324.68	324.46
San Francisco	55,350	398	55,748	946.27	425.76	520.51
Board of Governors	358,445	-	358,445	6,084.25	9,977.46	-
Total	875,151	4,438	879,589	\$14,930.16	\$14,930.16	\$3,983.04 89.83(a) \$3,893.21

- (1) Based on cost per word (\$.016974019) for business handled during the month.
- (2) Payments by Banks are for personal services and supplies and payments by Board are for personal services and supplies (\$1,157.98) and wire rental (\$9,255.00) less amount (\$435.52) representing reimbursement for the cost of sending messages between the Washington office of the Leased Wire System and the local telegraph offices of the Treasury, Reconstruction Finance Corporation, and the Commodity Credit Corporation. Personal services include salaries of main line operators and of clerical help engaged in work on main line business, such as counting the number of words in messages; also overtime and supper money and Retirement System contributions at the current service rate.
- (a) Credit--reimbursable to Chicago.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-784

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



February 15, 1941

Dear Sir:

There is enclosed for your information a copy of a ruling by the Comptroller General of the United States to the effect that in appropriate circumstances a partnership may be considered "an institution" to which claims may be assigned under the Assignment of Claims Act of 1940.

A copy of this letter, with enclosure, has been sent to the Field Representative at your head office and each of your branches, if any.

Very truly yours,

Ernest G. Draper
Ernest G. Draper

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS
COPY TO FIELD REPRESENTATIVES
(Enclosure to Presidents and Field Representatives only)



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

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R-785

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 15, 1941

Dear Sir:

Referring to the Board's letters of October 30, 1936 (X-9729), and December 28, 1938 (S-137), it will be appreciated if you will furnish the Board with the following data regarding the officers and employees of your Bank who will attend the 1941 session of the Graduate School of Banking at Rutgers University:

- (1) Total number who will attend 1941 session:
 - (a) Number of first-year students,
 - (b) Number of second-year students, and
 - (c) Number of third-year students.

- (2) Total number who will attend wholly or partially at Bank's expense:
 - (a) Number who will be granted necessary leave with pay,
 - (b) Number whose transportation expenses will be paid by Bank, and
 - (c) Number whose registration and resident and extension tuition fees will be paid by Bank.

- (3) Total number who will attend entirely at their own expense during their annual vacations.

It will also be appreciated if you will advise the number of officers and employees at your Bank who have attended the first or second sessions, or both, but who will not attend this year.

Very truly yours,

A handwritten signature in dark ink, appearing to read "L. P. Bethea", written over a horizontal line.

L. P. Bethea,
Assistant Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

STATEMENT FOR THE PRESS

For release in morning papers,
Tuesday, February 18, 1941.

The following summary of general business and financial conditions in the United States, based upon statistics for January and the first half of February, will appear in the March issue of the Federal Reserve Bulletin and in the monthly reviews of the Federal Reserve Banks.

Industrial activity continued at a high level in January and distribution of commodities was maintained in large volume.

Production

In January volume of industrial production declined less than seasonally and the Board's adjusted index rose one point further to 139 per cent of the 1935-39 average. There were further considerable increases in activity in industries making machinery, aircraft, ships, and similar products important in the defense program, and output of industrial materials, such as steel and nonferrous metals, continued at near capacity rates. Lumber production also was in unusually large volume owing to demand arising from construction under the defense program as well as from private building.

Automobile production, which ordinarily declines considerably at this time of year, was maintained at a high rate in January and the first half of February. This reflected in part an unusually large volume of retail sales and in part the industry's efforts to build up

dealers' stocks of cars as much as possible with a view to having an adequate supply on hand in case priorities or work on defense orders should necessitate curtailment of automobile production. Currently dealers' stocks of new cars are probably near record levels.

In the cotton textile industry, activity in January showed some further increase from the record level reached in December but the rise was less than usually occurs at this season. At wool textile mills there was some decline from the high level of November and December, while output at rayon mills was maintained in large volume. Defense program orders for textiles, particularly wool and cotton products, have been substantial for some time, and these combined with considerable civilian demand have resulted in the accumulation of large order backlogs at most mills. Activity at meatpacking establishments was reduced in January owing chiefly to a sharp decline in hog slaughter, which had been exceptionally large in the latter part of 1940. Shoe production advanced by less than the usual seasonal amount following a high rate of output in November and December.

At mines output of most metals continued at record levels in January. Production of fuels was sustained in large volume but was not at such high levels as output of other minerals owing in part to the existence of considerable stocks, particularly of petroleum products.

Value of construction contracts, as reported by the F. W. Dodge Corporation, declined in January. The decrease reflected chiefly a sharp reduction in awards for public construction from the exceptionally

large December total, which had included a number of defense projects not previously reported by the Dodge Corporation for lack of detailed information. Contracts awarded for private nonresidential building declined somewhat in January but as in December were twice as large as the amount awarded in the corresponding period a year ago. Awards for private residential building increased and on a seasonally adjusted basis were at the highest level since the middle of 1929.

Distribution

Distribution of commodities to consumers in January was maintained at the high level reached in the latter part of 1940. Sales at department and variety stores declined seasonally following an unusually large amount of Christmas trade, while sales of automobiles continued near the rate prevailing in December. In the early part of February department store sales were sustained in large volume.

Total freight-car loadings, which usually decline from December to January, showed little change this year and the Board's seasonally adjusted index rose two points further to 86 per cent of the 1923-25 average.

Wholesale commodity prices

Prices of industrial materials and foodstuffs generally showed little change from the middle of January to the middle of February. Some imported commodities, principally coffee, cocoa, rubber, and tin, rose slightly and there were increases also in prices of lard and wool tops, while declines were reported for livestock and meats, hides, grains,

lumber, and scrap metals. Prices of some finished commodities, particularly textile products, showed advances in this period.

Bank credit

Total loans and investments at reporting member banks in 101 leading cities increased substantially during January and the first half of February, reflecting largely purchases of new Defense Notes issued by the Government. Commercial loans at these banks increased further while loans to New York security brokers and dealers declined.

United States Government security prices

Prices of United States Government securities continued to decline in the latter half of January and the first half of February, more than canceling the gains from the end of October to the peak on December 10. The 1960-65 bonds on February 14 were selling on a yield basis of 2.28 per cent, compared with a low of 2.03 per cent on December 10.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

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R-787

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 17, 1941

Dear Sir:

The Board of Governors concurs in the action taken by the Conference of Presidents at the meeting held in Washington on February 7, 1941, with respect to the Report of the Standing Committee on Collections dated January 23, 1941.

Very truly yours,

A handwritten signature in dark ink, appearing to read "L. P. Bethea", is written over a large, stylized flourish.

L. P. Bethea,
Assistant Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 18, 1941

Dear Sir:

Reference is made to my letters of December 27, 1940, and January 25, 1941, forwarding to you copies of the first and second reports to the Board on the activities of the Federal Reserve System in connection with the Defense Program.

My third report, dated February 14, 1941, has now been submitted to the Board and I am pleased to enclose a copy for your information.

A copy of this letter, with enclosure, has been sent to the Field Representatives at your Head Office and each of your Branches, if any.

Very truly yours,

Ernest G. Draper.

Enclosures 3

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS
COPY TO FIELD REPRESENTATIVES

(Enclosure to Presidents and Field Representatives only)

February 11, 1941

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TO Board of Governors SUBJECT: Third Report of Defense
FROM Governor Draper Activities

Reports for the month of January have been received from all Federal Reserve Banks covering activities of their field representatives in behalf of the Defense Program and a summary statement thereof is attached for the Board's information.

There is also attached a summary statement of the record which we maintain of the inquiries received from the Federal Reserve Banks requesting information or assistance with respect to various financial and other problems that have arisen.

The Presidents of the Federal Reserve Banks met in Washington on February 7 for the purpose of discussing with Mr. Mehornay and myself the functions and organization of the Defense Contract Service, and the new Defense setup at the Reserve Banks. The new setup is outlined in detail in the memorandum record of the meeting, copies of which have been furnished Board members and the presidents of all Federal Reserve Banks.

Attachments 2

SUMMARY OF CERTAIN POINTS OF INTEREST CONTAINED IN FEDERAL
RESERVE BANK REPORTS ON ACTIVITIES OF FIELD REPRESENTATIVES
IN BEHALF OF THE DEFENSE PROGRAM DURING JANUARY 1941

Boston

Defense inquiries showed a marked increase during the month of January. Most inquiries are from small companies that do not manufacture any particular type of article desired by either the Army or the Navy. These companies, however, have facilities that might qualify them as subcontractors.

A great number of banks are financing their customers on their general lines of credit without any assignment of contracts. In many cases the larger companies, especially those receiving substantial cash advances under British contracts, are able to finance themselves.

The Governor of each State in New England has appointed a development commission, which has surveyed a large number of plants.

Financial information with respect to a number of companies has been furnished the Defense Commission, the Watertown Arsenal, the Ordnance Department in Boston, and the Board of Governors.

An inquiry has been received from a member bank as to whether the Board will require reports from member banks on the number and amount of Defense loans made and rejected.

Defense loan committees have been organized in each State in New England with the exception of Vermont, which expects to organize such a committee at a meeting on February 12. The Reserve Bank's representative in Connecticut attended eight meetings of clearinghouse groups during January.

New York

Representatives of the Reserve Bank have actively participated in a number of group bank meetings.

Many banks of the District have been in touch with the Federal Reserve Bank and a great deal of consultation has developed by telephone, correspondence, and direct interview, relating primarily to the mechanics and procedures with respect to the various types of advances secured by assignments of claims under both supplies and Emergency Plant Facilities contracts.

New York (Continued)

Comparatively few concerns have inquired regarding the facilities of the Reserve Bank to finance supplies contracts. In such limited cases discussion has developed that the concerns have not ascertained what credit might be forthcoming from their own banks of account. It has been suggested that they carefully review the situation with their own banks and if such credit accommodation is not forthcoming to return to the Federal Reserve Bank for a further review of the case.

Credit investigations have been made for the War Department, Defense Commission, and for three other Federal Reserve Banks.

Philadelphia

The Reserve Bank's representative has attended meetings at which the Defense Program was discussed.

Numerous conferences have been held on Defense activities with representatives of banks and business concerns and assistance has been rendered in both fields in effecting assignments of claims under Defense contracts.

Two visits were made to Washington in connection with a large Army contract let in the Wilkes-Barre area.

Interchange of information with respect to particulars under contracts awarded has been effected by correspondence and telegrams with other regional banks.

Five applications received during January for Defense financing under Section 13b have been approved in a total amount of \$349,000 and one application for \$20,000 has been rejected.

Cleveland

Representatives of the Reserve Bank attended a number of group meetings relating to the Defense Program. Two plant visitations were made for the purpose of discussing the problems of sub-contracting and "farming out" work.

Excellent cooperation has been obtained from the local Ordnance and other Procurement Officers and all problems and questions presented to them have been handled quickly and satisfactorily. Questions referred to Washington also were handled quickly and completely where an answer was available.

Cleveland (Continued)

From the Reserve Bank's point of view it would be highly desirable if matters from the Defense Commission could be transmitted through the Board's office. Reference is made to inquiries such as the one from the Defense Commission, dated January 27, pertaining to _____ Aircraft Incorporated. Prior to receipt of the wire on January 28 canceling the inquiry, contacts had been made with several persons who, it was felt, might assist as subcontractors. One of the Defense Commission's wires also asked for credit data about companies and it would appear preferable to submit information of this character direct to the Board of Governors to use as it sees fit.

Richmond

Representatives of the Federal Reserve Bank have addressed group meetings of bankers held in several states.

Through quick cooperation of the Board's office, the Reserve Bank was able to advise a bank within 24 hours, in response to an inquiry, that the Navy Department stated a clause in a contract indicating that it was not "transferable" had nothing to do with an assignment of the claim. The bank expressed its gratification at such prompt action and asked if this case could be used at group meetings as an illustration of the splendid service being rendered by the Federal Reserve Banks.

Within a few hours the Reserve Bank was able to furnish the Board with information desired about a company that had been awarded a \$6,000,000 contract and had requested an advance of \$400,000.

In response to a request from the Defense Commission the First Vice President visited a large shipbuilding plant and reported thereon.

During January applications for industrial loans aggregating \$1,662,500 were received from six concerns engaged in Defense work. Several banks were interested in participating in these loans to the extent of \$757,125. Judging from inquiries received, it appears that the Reserve Bank will be requested to assist in a substantial number of loans to concerns engaged in furnishing Defense supplies.

Atlanta

No case has come to the attention of the Reserve Bank where a concern having a Defense contract has been unable to obtain satisfactory financing when such assistance was needed.

Atlanta (Continued)

At each of the meetings of the various State bankers associations called for the purpose of discussing Defense contract financing, a representative from the Federal Reserve Bank has attended.

There has been a large volume of general correspondence answering questions regarding the Assignment of Claims Act of 1940 and the lending powers of the Federal Reserve Banks under Section 13b of the Federal Reserve Act.

Several concerns have stated that they were unable to bid for Government contracts because the invitations called for the supply of products in quantities beyond their capacities. Such concerns were anxious to have the size of the contracts reduced to enable them to enter bids. As an alternative, it has been suggested that approval be given to a plan under which an association or group of small businesses whose combined capacities are capable of handling large Government contracts, but who as individuals are too small, might enter bids with the Army and Navy for Defense contracts.

Chicago

The Reserve Bank's field representative attended a number of meetings and discussed the activities of the Reserve Bank relative to the Defense Program.

Credit investigations have been made for the Jeffersonville Quartermaster Depot and for the Assistant Secretary of War.

A survey has been made with respect to potential subcontractor facilities for iron and steel castings.

Acknowledgments have been sent direct to all concerns that have submitted questionnaires relating to facilities for Defense supplies and each concern has been supplied with copies of the Army Purchase Information Bulletin and of the pamphlet entitled "Selling to the Navy".

Bankers on whose behalf the Reserve Bank has had occasion to wire the Board relative to matters requiring attention in Washington have expressed appreciation of the service and the promptness with which results have been obtained. It is believed valuable assistance has been rendered to both bankers and businessmen in connection with many problems that have been presented.

St. Louis

Requests were received for specific information from Defense Commission representatives and officers of the War Department and information was furnished to the extent it was available. Information was also furnished several concerns with respect to the amortization provisions of Section 124 of the Internal Revenue Act.

Assistance was given to banks in preparing the necessary documents in making loans to Government contractors and in obtaining prompt returns of the acknowledged notices of assignment from the War Department.

The principal difficulty encountered during the month was that of trying to find some concrete reply to give to the small manufacturer as to how his facilities might be utilized in the Defense Program. It seems quite apparent that because of the details of administration and inspection involved it is impracticable for primary contracts to be split into small units which could be handled by the smaller manufacturer.

Minneapolis

The Reserve Bank obtained a commitment from a large jewelry manufacturing company to the effect that it would undertake the manufacture of surgical instruments if satisfactory arrangements could be made with the Chicago District, Medical Procurement Office. A small manufacturer of special surgical instruments has agreed to serve as a primary contractor, utilizing the facilities of numerous small shops by subcontracting certain steps in the manufacturing process to each of them. The management of one of the largest printing organizations in the District has shown interest in the manufacture of surgical instruments in part of its shop.

Largely as a result of conversations with Mr. Morris L. Cooke, of Mr. Hillman's office, the mayors of a number of Minnesota cities have formed "Minnesota Defense, Incorporated", the objectives of which are about the same as those of the Reserve Bank. The organization contemplates maintaining a "new business representative" in Washington but does not intend to set up a local office paralleling that of the Reserve Bank, with records of facilities of individual shops.

The Governor of Minnesota announced early in January that he would ask for an appropriation to establish a State Defense Contract Procurement Service. After the Reserve Bank explained its services the State Defense Coordinator announced that "... after careful

Minneapolis (Continued)

consideration of the facilities which the Federal Reserve Bank offers in clearing information on defense contracts, the State effort in this connection would be coordinated with theirs and all duplication avoided."

Arrangements have been made with one of the local papers to publish each day a list of items on which invitations to bid are current.

Through arrangements previously made for a free interchange of information between the Reserve Bank and most of the principal chambers of commerce in the District, the information contained in the National Association of Manufacturers' questionnaires returned to them is available to the Reserve Bank. In view of the discontinuance of the form, "Facilities for Defense Supplies", and the need for some substitute form, the Reserve Bank is considering the use of the N.A.M. form both for office and field use.

Kansas City

Activities in the Defense Program have continued to consist, for the most part, of the dissemination of information to banks, bankers, and small manufacturers in the District.

Information has been furnished the United States Engineers regarding contractors capable of handling construction projects involving \$1,000,000 or more.

Representatives of the Reserve Bank have attended a number of meetings to explain the activities of the System in the Defense Program.

The recently announced Defense Contract Service, Office of Production Management, may provide a solution for problems with which the Reserve Bank has had to deal in connection with an unusually large number of inquiries relating to the utilization of idle plant facilities.

At the Head Office and at all branch offices there have been a large number of out-of-town visitors, mostly bankers, all of whom have made inquiries regarding certain phases of the Defense Program and have expressed their desire to cooperate.

Dallas

Representatives of the Reserve Bank attended several meetings at which the Defense Program was discussed.

Field representatives called upon General Brandt, the Commanding Officer of Randolph Field, to discuss with him the financing of civilian aviation training schools. Other conferences have been held with General Brandt and have resulted in a thorough understanding upon his part of the activities of the Reserve Banks in connection with the Defense Program.

The distribution of Defense work among small businesses continues to be the major problem in the Eleventh District. Advice has been received of several pooling arrangements whereby the participants hope to obtain Government orders or subcontracts in considerable quantities.

The suggestion is made that where special surveys are conducted someone in Washington write to the concerns whose names are submitted so that they may know their names have reached the proper source. Inquiries have been received concerning the results of the two special surveys conducted by the Reserve Bank and the Bank fears that unless some official notice is taken of these surveys business concerns in the District may lose interest in furnishing information of that nature.

San Francisco

The Reserve Bank continued to receive numerous inquiries concerning the Defense Program, all of which it was able to answer without difficulty. The hearty cooperation of local Procurement Officers of the Army and Navy has been of material assistance in handling many of these inquiries.

Representatives of the Reserve Bank attended a number of meetings held to discuss Defense activities.

Very few inquiries concerning financial aid have been received and it is believed that all such inquiries have been handled in a manner satisfactory to those concerned.

As a direct result of efforts of the Seattle Branch a subcontractor engaged in construction of cantonments was able to obtain necessary financing in the amount of \$250,000 from a local bank.

DEFENSE CONTRACT CASES HANDLED BY THE
BOARD'S STAFF THROUGH THE
FEDERAL RESERVE BANKS

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<u>Date</u>	<u>District</u>	<u>Subject</u>
<u>1941</u>		
1/6	Atlanta	Request that we expedite transmittal of contract from the Philadelphia Quartermaster Depot to the contracting company.
1/6	Baltimore	Request from the Office of the Under Secretary of War to report on the reputation and financial condition of a concern which has been awarded a substantial defense contract.
1/6	Philadelphia	Request that we assist a primary contractor to acquire 50,000 pounds of copper in order to enable the concern to complete a Navy contract.
1/7	Chicago	Inquiry as to whether or not a contract stamped "restricted" is subject to assignment.
1/6	Minneapolis	Request that we expedite acknowledgement from a contracting officer of notice of assignment.
1/8	Houston	Request for information as to the approximate date so-called "bankable provisions" of War Department supply contracts will be made effective.
1/8	Chicago	Inquiry as to whether or not the report appearing in the January 4 issue of "Prats Service" relating to a bankable subcontract refers to supply contracts or EPF contracts.
1/8	Chicago	Inquiry as to whether there is any hazard in making an advance on a contract which bears a notation that "funds have not as yet been appropriated."
1/8	Richmond	Offer from a local bank of a tract of land for additional facilities in connection with Remount Station at Front Royal, Virginia.
1/8	Houston	Inquiry as to what, if anything, can be done to assist a textile plant which submitted the low bid on certain material for the Red Cross and started manufacture before being awarded the

<u>Date</u>	<u>District</u>	<u>Subject</u>
1/8	Houston (Continued)	contract. Following the opening of the bids and prior to awarding the contract, the Red Cross changed specifications and invited bids on a different type of item, with the result that the subject company will have on its hands the goods which have been manufactured and cannot be delivered.
1/8	Boston	Request for information as to the meaning of certain preference ratings which appear on Government defense contracts.
1/9	San Francisco	Request for advice as to when payments might be expected by a company engaged in the manufacture of bake ovens for the Quartermaster Corps.
1/10	Cleveland	Request for advice as to information on priority of rights between sureties and assignees.
1/11	Richmond	Request from the Office of the Under Secretary of War to furnish a report on the reputation and financial condition of a concern which has requested an advance on a \$6,000,000 defense contract.
1/11	Richmond	Inquiry as to whether or not a provision of a Navy contract relating to the assignment of the contract prevents the assignment of claims resulting therefrom.
1/13	Richmond	Request for names and titles of Army and Navy officers in charge of construction in Norfolk area and Camp Lee area.
1/13	Boston	Request from the Office of the Under Secretary of Navy to obtain a report on the responsibility and financial condition of a concern requesting an advance on a \$1,000,000 defense contract.
1/14	Boston	Request for information as to whether or not a contract for screening at Camp Devens will be awarded by the War Department or the general contractor.
1/14	Philadelphia	Request for advice as to the best procedure for a subcontractor to follow to be assured that payments due from a prime contractor on a construction project would be remitted to the bank financing the subcontractor.

<u>Date</u>	<u>District</u>	<u>Subject</u>
1/14	Cleveland	Request for information as to the best procedure to be followed by a sub-subcontractor to make application for an EPF contract when no single branch of either the Army or Navy can be designated as receiving the major portion of the concern's output.
1/15	Cleveland	Request from the Office of the Under Secretary of War to report on the reputation and financial condition of a concern which has requested an advance on an \$8,000,000 Ordnance Department contract.
1/14	Chicago	Request for the name of the proper official of the War Department to be communicated with in connection with supplying certain items for use in the construction of cantonment camps.
1/15	Philadelphia	Request that the Federal Reserve Bank be supplied with a copy of the contract entered into by the Ordnance Department and a contracting company, involving approximately \$3,500,000. The Reserve Bank contemplates advancing the concern approximately \$2,000,000.
1/16	Chicago	Inquiry as to whether or not a contract which contains provisions making it nonassignable can be amended so as to permit assignment of payments accruing thereunder.
1/17	Memphis	Request for the names and addresses of the contractors awarded the construction contract for the ammunition loading plant at Milan, Tennessee.
1/17	Cleveland	Request for information as to the type of transaction entered into by the Wright Aeronautical Corporation and the Defense Plant Corporation.
1/17	Minneapolis	Inquiry as to whether or not a concern can qualify for an EPF contract prior to the time it is awarded a defense contract which will make it necessary to increase its facilities.
1/21	Philadelphia	Request for information as to the status of an application addressed to the Secretary of the Navy by a subcontractor for an EPF contract.

<u>Date</u>	<u>District</u>	<u>Subject</u>
1/22	Cleveland	Inquiry as to the correctness of a press statement regarding loans made by banks, secured by EPF contracts; loans made for plant construction by the Defense Plant Corporation; and the number and amount of supply contracts which have been assigned.
1/21	Cleveland	Request for the name of the Army officer designated to be in charge of construction of a T.N.T. plant at Sandusky, Ohio.
1/22	Philadelphia	Request for advice as to whether or not a contract entered into by the Construction Quartermaster, Borinquen Field, Puerto Rico, must be approved by the Secretary of War.
1/23	Chicago	Inquiry as to the proper agency to be communicated with by a group of contractors desiring to bid on defense housing projects.
1/21	Philadelphia	Request from the Office of the Under Secretary of War to obtain a report on the responsibility and financial condition of a concern requesting an advance on a \$280,000 Ordnance contract.
1/24	New York	Request for advice as to the proper charge that a bank should make for handling escrow funds advanced by the War Department on a defense contract.
1/21	Cleveland	Request from the Office of the Under Secretary of War to obtain information as to the responsibility and financial condition of a construction company which is being considered for a substantial cost-plus-a-fixed-fee contract.
1/21	Chicago	Request from the Office of the Under Secretary of War to obtain information as to the responsibility and financial condition of three construction companies which are being considered for a substantial cost-plus-a-fixed-fee contract.
1/21	Minneapolis	Request from the Office of the Under Secretary of War to obtain information as to the responsibility and financial condition of three construction companies which are being considered for a substantial cost-plus-a-fixed-fee contract.

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<u>Date</u>	<u>District</u>	<u>Subject</u>
1/21	New York	Request from the Office of the Under Secretary of War to obtain information as to the responsibility and financial condition of eight construction companies which are being considered for a substantial cost-plus-a-fixed-fee contract.
1/27	Chicago	Inquiry as to whether claims accruing under a purchase order issued by the Government Printing Office are assignable.
1/27	Boston	Request from the Office of the Under Secretary of War for information as to the responsibility and financial condition of a concern requesting an advance payment on an Ordnance contract involving approximately \$2,500,000.
1/27	Cleveland	Request that monies payable to an assignee bank be made payable to the bank only and not to the bank as assignee for the contracting company.
1/27	Cleveland	Inquiry as to the proper officers of the War Department to be communicated with in connection with an EPF contract for a sub-subcontractor.
1/27	Minneapolis	Inquiry as to whether certain cartridge containers for which the Navy Department invites bids are to be of wood or metal construction.
1/27	New York	Request from the Office of the Under Secretary of War for information as to the responsibility and financial condition of a company requesting an advance on a Medical Corps contract involving approximately \$200,000.
1/28	Dallas	Request for names and locations of procurement officers of Army and Navy who purchase athletic uniforms and equipment.
1/30	Chicago	Request from the Office of the Under Secretary of War for information as to the responsibility and financial condition of a concern being considered for a substantial cost-plus-a-fixed-fee contract.
1/30	Minneapolis	Request from the Office of the Under Secretary of War for information as to the responsibility and financial condition of two concerns being considered for a substantial cost-plus-a-fixed-fee contract.

<u>Date</u>	<u>District</u>	<u>Subject</u>
1/30	Cleveland	Request from the Office of the Under Secretary of War for information as to the responsibility and financial condition of a concern being considered for a substantial cost-plus-a-fixed-fee contract.
1/30	New York	Request from the Office of the Under Secretary of War for information as to the responsibility and financial condition of two concerns being considered for a substantial cost-plus-a-fixed-fee contract.
1/31	Chicago	Request that we expedite action on an application to assign claims accruing under a contract entered into prior to October 9, 1940.
1/28	Cleveland	Request for information regarding completion bonds required by the R.F.C. on construction contracts.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

STATEMENT FOR THE PRESS

For immediate release

February 18, 1941

The Federal Advisory Council of the Federal Reserve System met in Washington on February 16-18. The annual organization meeting was held on February 16, at which Edward E. Brown, President of the First National Bank of Chicago, was elected as President of the Council, and George L. Harrison, President of the New York Life Insurance Company, as Vice President. Walter Lichtenstein was reappointed as Secretary. The Council met in joint session with the Board of Governors of the Federal Reserve System on February 17 and 18. General business conditions and matters of interest to the Federal Reserve System were discussed.

The members and officers of the Federal Advisory Council are listed below. As the Federal Reserve Bank of Boston has not yet selected its representative a vacancy exists on the Council with respect to the First Federal Reserve District.

District

No. 1	Vacancy	
No. 2	George L. Harrison	President, New York Life Insurance Corporation, New York, New York.
No. 3	William F. Kurtz	President, The Pennsylvania Company for Insurances on Lives and Granting Annuities, Philadelphia, Pennsylvania.

District

No. 4	B. G. Huntington	President, The Huntington National Bank, Columbus, Ohio.
No. 5	Robert M. Hanes	President, Wachovia Bank and Trust Company, Winston-Salem, North Carolina.
No. 6	Ryburn G. Clay	Director, Fulton National Bank, Atlanta, Georgia.
No. 7	Edward E. Brown	President, The First National Bank of Chicago, Chicago, Illinois.
No. 8	S. E. Ragland	President, The First National Bank of Memphis, Memphis, Tennessee.
No. 9	Lyman E. Wakefield	President, First National Bank and Trust Company of Minneapolis, Minneapolis, Minnesota.
No. 10	W. Dale Clark	President, The Omaha National Bank, Omaha, Nebraska.
No. 11	R. E. Harding	President, The Fort Worth National Bank, Fort Worth, Texas.
No. 12	Paul S. Dick	President, United States National Bank, Portland, Oregon.

OFFICERS

Edward E. Brown, President
George L. Harrison, Vice President
Walter Lichtenstein, Secretary

EXECUTIVE COMMITTEE:

Edward E. Brown, ex-officio
George L. Harrison, ex-officio
W. F. Kurtz
B. G. Huntington
Robert M. Hanes
S. E. Ragland

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-790

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 19, 1941



Dear Sir:

The Board of Governors of the Federal Reserve System is advised that the following holidays will be observed by Federal Reserve Banks and branches during the month of March 1941:

March 3 (Monday)	Dallas El Paso Houston San Antonio	In observance of Texas Independence Day which falls on Sunday
March 15 (Saturday)	Nashville Memphis	Birthday of Andrew Jackson
March 25 (Tuesday)	Baltimore	Maryland Day

On the dates given the offices concerned will not participate in either the transit or the Federal Reserve note clearing through the Interdistrict Settlement Fund. Please include transit clearing credits for the offices affected on each of the holidays with your credits for the following business day. No debits covering shipment of Federal Reserve notes for account of the Federal Reserve Bank of Dallas should be included in your note clearing of March 3.

Please notify branches.

Very truly yours,

F. A. Nelson,
Assistant Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R- 791

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 20, 1941

Dear Sir:

On January 31 we sent five copies of a
"Supplementary List showing Major Defense Con-
tracts Awarded by the War and Navy Departments
during the Month of December 1940" to the field
representative at your head office and two copies
to each of your branches, if any.

We are today mailing to the above men-
tioned representatives a like number of copies of
a list of contracts awarded during January 1941.

Very truly yours,

Ernest G. Draper
Ernest G. Draper

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

(Copy to field representatives)



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-792

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



February 21, 1941

Dear Sir:

There are enclosed for your information a table showing applications for membership received by the Board during 1941, and a statement containing excerpts from the bank relations reports submitted by the Federal Reserve Banks for the month of January.

Very truly yours,

A handwritten signature in dark ink, appearing to read "L. P. Bethea". The signature is fluid and cursive, with a large initial "L" and "P".

L. P. Bethea,
Assistant Secretary.

Enclosures

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

BANKS ELIGIBLE* FOR FEDERAL RESERVE MEMBERSHIP ON DECEMBER 31,
1939, AND BANKS WHICH APPLIED FOR MEMBERSHIP DURING 1941

Federal Reserve District	Number of Nonmember Commercial Banks Eligible* for Federal Reserve Membership on December 31, 1939		Number of Banks Which Applied for Federal Reserve Membership During--		Deposits of Nonmember Commercial Banks Eligible* for Federal Reserve Membership on December 31, 1939		Deposits of Banks Which Applied for Federal Reserve Membership During--	
	Total	On Par List	January	This Year	Total	On Par List	January	This Year
	(In thousands of dollars)							
Boston	141	141	0	0	469,330	469,330	0	0
New York	224	224	5	5	981,529	981,529	8,100	8,100
Philadelphia	225	225	1	1	550,836	550,836	1,700	1,700
Cleveland	475	474	0	0	577,670	577,367	0	0
Richmond	394	232	2	2	481,555	396,447	700	700
Atlanta	484	52	0	0	302,655	70,987	0	0
Chicago	1,219	1,079	5	5	1,114,286	1,054,464	2,300	2,300
St. Louis	664	434	2	2	428,385	309,111	800	800
Minneapolis	420	78	0	0	189,225	53,439	0	0
Kansas City	487	402	0	0	198,993	178,372	0	0
Dallas	282	174	0	0	154,549	110,025	0	0
San Francisco	194	182	0	0	545,398	541,768	0	0
Total	5,209	3,697	15	15	5,994,411	5,293,675	13,600	13,600

*By eligible banks is meant banks with sufficient capital stock to meet the minimum statutory capital requirements for Federal Reserve membership

EXCERPTS FROM BANK RELATIONS REPORTS
FOR THE MONTH OF JANUARY 1941

BOSTON

Loans and discounts had increased at all banks visited--all located in Connecticut--and earnings for the past six months were better than for the corresponding period of a year ago. Employment and pay rolls showed an increase at all points and retail trade was said to be satisfactory.

At most of the banks visited, discussion was had of some phase of the activities of the Federal Reserve System in relation to the National Defense Program.

NEW YORK

Ulster County, New York, is situated on the west bank of the Hudson River approximately midway between New York City and Albany and extends westward into the Catskill Mountain region. This county is served by 14 commercial banks (all members) and 6 savings institutions. The managements of five commercial banks are giving consideration to reductions in rates on savings deposits and two may go to a flat 1 per cent. One of the two institutions paying 2 per cent on the entire balance is endeavoring to attract deposits in view of a brisk loan demand and will continue to pay this rate.

It appears that if taxable bonds yielding a higher return are issued, they will meet with favor among the bankers. The president of one savings bank, which in the seventy-two years of its existence is said to have never bought a corporate bond, points out that since savings institutions pay no Federal income taxes, any higher return from Governments will result in substantially larger profits to this group. Nearly all banks in the county are carrying large amounts of idle cash.

Loan demand in this territory has been improving since the middle of 1940. In several instances, sizable increases have resulted directly from lower lending rates which were adopted when the competition of Albany banks was felt.

Business throughout Ulster County is reported to be quite satisfactory. Agriculture is of major importance, chiefly dairy farming and fruit growing, both of which have enjoyed better conditions during the past year.

Trade in the Catskill Mountain region is dependent chiefly upon vacation trade, which was characterized as spotty during the past summer.

The Thirteenth Annual Mid-winter Meeting of the New York State Bankers Association was held in the Auditorium of the Federal Reserve Bank of New York on Monday, January 20, 1941. Approximately 500 attended the morning and afternoon sessions and the bankers were guests of the Federal Reserve Bank at a luncheon served in its dining room. In the evening a banquet was held at the Hotel Astor at which about 750 were present.

PHILADELPHIA

The section covered by this report comprises three counties in northern Pennsylvania with an area of 2,745 square miles, and a population of 88,400.

Dairying provides the chief source of income and, while milk prices are reported to be satisfactory, the margin of profit has been reduced because of higher costs for feed, and the expense of the installation of new equipment to conform with more rigid sanitary requirements.

Industrial activity has been better than a year ago. The shops and yards of the Lehigh Valley Railroad Company at Sayre are quite busy, and it was estimated that some 2,000 persons are now employed there. The Athens plant of the Ingersoll-Rand Company, manufacturer of pneumatic tools, is operating steadily and employs 800 persons as against 600 a year ago. The tanneries are working steadily and together employ about 1,500 persons. The plant at Elkland is considered the world's largest sole leather tannery. It has had much labor unrest during the last four years, and the company has been involved in a series of court cases with the National Labor Relations Board. Final decision was rendered several weeks ago by the United States Supreme Court, and necessitated the re-hiring of five men and payment to them of all back wages.

The officials interviewed had little comment to make relative to the Special Report to Congress. Apparently they feel that, if it is necessary to adopt these measures, they can be met without hardship.

CLEVELAND

Opposition to the Special Report to Congress centers entirely upon the proposal to seek statutory authority for substantially

increasing reserve requirements.

Nonmember banks being solicited for membership are, in increasing numbers, raising the objection that the failure of the Reserve System to handle nonpar checks is a definite deterrent. One banker in discussing this situation, which he suggests be corrected by Congressional action, said that it is "ridiculous that a few comparatively unimportant banks should be allowed to disrupt the check collection facilities of the entire Federal Reserve System." Other banks have indicated that if they became members of the System it would probably be through surrendering State charters and becoming members as national banks.

A shortage of farm labor in some sections is creating a demand from farmers for loans to buy mechanical equipment.

In two industrial cities in western Pennsylvania depositors have been requested to reduce their balances. One bank in one of these cities has also returned a substantial postal savings deposit. Another bank in the same section reports that while industries are operating at a high rate, as evidenced by checks cashed for employees, savings deposits are not increasing as has been customary in the past. It is stated that many individuals are holding cash rather than depositing such funds so that if they are laid off they can go on relief. Our impression is that the Pennsylvania Statutes provide for a disclosure to relief officials upon request of balances to the credit of individuals seeking relief.

RICHMOND

In the Baltimore area the Sparrows Point plant of the Bethlehem Steel Company will add 500,000 tons capacity in the current year, and the Glenn L. Martin Company had a backlog at the end of last year of \$225,000,000 and anticipates a backlog of \$400,000,000 before long. The Martin plant may increase its employment from 17,000 at the year end to 40,000 before the current year is over.

A new hotel to cost \$8,500,000, located on Sixteenth Street, Washington, D. C., will be started about April 1.

A contract for a bag-loading plant near Pulaski, Virginia, to employ 2,500 people, was awarded in January. It will cost \$9,376,000, and be operated by the Hercules Powder Company in connection with the Radford Powder Mill. The contractors at the Radford plant say they will need 3,000 more skilled workers during the next sixty days. More than 14,000 persons are already working on the Radford plant in an effort to get it into production by March 15. Housing facilities in the area are still scarce.

About 4,000 workers will be employed by the Newport News Shipbuilding and Drydock Company in the construction of 25 cargo ships, at \$1,750,000 each, during the next two years, at Wilmington, North Carolina. Fort Bragg now under way will require 25,000 workers to provide accommodation for 65,000 officers and soldiers by July 1, 1941. So far, construction work is ahead of schedule. Some idea of the growth in Cumberland County occasioned by the construction of \$24,000,000 Fort Bragg can be gathered from the change in the number of essential businesses over the past eight months. Dairies jumped from 21 to 45, cafes increased from 50 to 100, and meat markets increased from 100 to 150.

The North Carolina State Banking Commission declined to grant a charter for a proposed commercial credit plan industrial bank in Greensboro, North Carolina. The Commission said that two national banks in Greensboro had a right to operate installment loan departments, and that public convenience and advantage would not be promoted by the establishment of such an industrial bank since the city already had one industrial bank, nine "legitimate" installment paper dealers, and sixteen credit unions.

Additional contracts of \$5,000,000 at Fort Jackson, South Carolina, are to be awarded in the near future to bring the aggregate figure to \$18,375,000.

ATLANTA

The section of Louisiana in which Lafayette, Abbeville, and New Iberia are located suffered from unprecedented rains and high water last summer. Some farmers in this area suffered a complete loss of their growing crops and a majority harvested only 50 per cent or less of their normal production. Because of this disaster it was anticipated that the retail trade in this area during the winter would be very light. The bankers, however, state that they were unable to observe any appreciable decline in the amount of money spent in their respective communities during the holiday season. They attribute the sustained purchasing power to the tremendous amount of money being distributed in the area through oil development, WPA expenditures, and disaster loan disbursements.

CHICAGO

Two mutual savings banks have made application for membership. According to the records of this Bank, this is the first time that a mutual bank has applied.

A survey was recently made by this Bank of the investment in bank building and furniture and fixtures in the State member banks of this district in ratio to their capital structure. As a result, the suggestion was made to some of the banks that these items be reduced further, and many of them have adopted programs looking to this end.

A bill has been introduced in the Iowa Legislature which would require all banks to remit at par for checks drawn on them. There are at present 112 nonpar banks in the State of Iowa. Incidentally, one nonpar bank has recently asked for membership in the System.

One of the Detroit banks has established a training school to prepare new employees for positions, stating that it is no longer possible to employ experienced help and that it has the problem today of training its own personnel. All of the Detroit banks are confronted with the same situation. Increasing turnover is largely with new employees in the lower salary brackets. The wages of skilled mechanics who are employed full time today look very attractive to the younger employees, and some of them apparently are shopping around for positions to their liking in other fields.

The fact that the Government recently offered for sale 75,000,000 bushels of corn at 69 cents in Chicago has had the effect of putting a ceiling on corn prices in this area. Some satisfaction has been expressed over the sale of insurance company farms to actual farmers. A report recently compiled shows that during the period from April 1939 to December 31, 1940, 4,862 farms were sold. These farms averaged 154 acres and were sold at an average price of \$81. Approximately 80 per cent of the sales were to tenant farmers on long time contracts at low interest rates. It is felt that these sales have helped to prevent a marked upturn in land prices.

Production of automobiles in January established an all-time record for the month, and indications are that February output also will be in record volume for that period. As a result of the continued heavy production, field stocks of new cars are growing steadily.

ST. LOUIS

Agriculture in the Tennessee area visited is quite diversified. Among the main crops are cotton, corn, hay, wheat, tobacco, forage, and fruit, including strawberries. With exception of strawberries, yields the past season were good, and farmers made some money. Dairying and livestock raising have expanded notably in recent years. Prices received and being paid for the 1940 tobacco crop are disappointing to producers.

At Milan, Tennessee, where a \$14,000,000 shell loading plant will be built, there is a veritable boom in progress. Even now, before actual construction on the plant has started, housing facilities have become inadequate. New homes, mercantile buildings, theaters, etc., are being put up as rapidly as labor and materials will permit.

It is rumored that another Government project is to be located at Medina, a small farming community six miles south of the site chosen for the Milan establishment. As a result of these projects, real estate values have soared, some as much as 50 per cent over a few months back. Over this entire area building activity is at a high rate.

An officer of a Tennessee nonmember said that he expects to handle a large number of pay checks issued in connection with the Milan munitions plant and other building activities in the area. If savings on money shipments by Federal Reserve Banks will exceed the amount of revenue derived from exchange on cash letters, it is likely he will be interested in further discussing membership.

Another Tennessee bank officer stated that he would join were it not for having to give up cash letter exchange. His income from exchange in 1940 amounted to \$3,200, or 8 per cent on capital.

An Illinois nonmember subscribes regularly for new Government issues and the cashier commented regarding the small amount usually allotted to it. When his attention was called to the preferred allotment feature of several issues in the past, he said its correspondent (an Eighth District national bank) notifies it by phone of new issues but failed to mention the preferred subscription privilege.

Currency and Coin Displays. This Bank's collections of currency and coin have been placed on display at the parent Bank. The currency exhibit, consisting of 254 specimens, is arranged in eight frames, face and reverse. These are secured to a revolving standard and have descriptive cards, written in every day language, which explain each individual bill. The specimens give a representative panorama of currency in the United States from Colonial issues to Federal Reserve notes of the new size.

The coin exhibit, consisting of 168 specimens, is displayed in two cases. It is so arranged that the visitor, reading the descriptive cards and viewing the specimens, is given a rounded idea of the history of coinage from the knife money of ancient China to the wooden nickels issued in Bellingham, Washington, during the bank holiday of 1933.

In addition to the above exhibits, there has also been prepared a Loan-Exhibit of currency for display by our branches and member banks. It consists of 109 duplicate specimens of notes included in the parent Bank exhibit.

MINNEAPOLIS

The booklet prepared by the Board of Governors entitled "The Federal Reserve System--Its Purposes and Functions" was sent to all employees of the head office and its Helena Branch at their home addresses accompanied by a letter from the President of our Bank. We feel there is more to be accomplished in promoting a program of education for our staff and we have several definite plans in mind.

In a current issue, confined to banking, of "Building America", a photographic magazine of modern problems for high school use, several pages were devoted to the Federal Reserve.

KANSAS CITY

Most of the visits in January were in connection with the national defense work. In Kansas a series of seven regional meetings was held for the purpose of acquainting bankers with the details of this program and for securing a frank discussion of its problems. A representative of this Bank appeared on the program of these conferences.

It would appear from the letters received that the Special Report to Congress was widely read and carefully studied. In no case was there found any disagreement with the underlying purpose of the recommendations. Bankers seem thoroughly aware of the abnormal credit expansion that may take place with present swollen bank reserves and there is some apprehension that the war boom we are now entering with its psychology of expansion may develop a credit condition difficult to control. The hope was often expressed that the System can regain some control of the money market and one banker gave as his opinion that the banking structure can not stand another shock like that which began with the deflation of war prices in 1920 and culminated in 1933. It was his belief that another such disaster would bring Government ownership of banks.

There is, however, some difference of opinion regarding specific recommendations in the report. The proposal to raise reserve requirements stirred up the most controversy. Many bankers--even some country bankers--seem to think legal reserves should be higher but

probably a greater number are critical. Country bankers have difficulty in seeing any relationship between their own affairs and the problem of excess reserves. They accept at its face value the statement that gold imports have created the excess reserves but to the country banker this seems, not his problem, but the concern wholly of the large city bank.

Wyoming is the only part of this district that is complaining of lack of moisture. Bankers say the much-advertised Dust Bowl is the wettest it has been for many years. Nearly all the cattle in that region were sold to the Government in 1934 and some places, it is said, lost almost 60 per cent of their population in the succeeding years. But most parts of the Dust Bowl had a good wheat crop last year and there is an abundance of feed. The cattle population is reported to be back nearly to normal and milk cows, especially, have increased greatly in number in recent years.

DALLAS

The two outstanding features of our bank and public relations activities during the month were a dinner and a public reception given by the Bank on January 24 and 25, respectively, in celebration of the enlargement and complete modernization of our head office building.

After twenty years of steady growth in the volume of our operations, particularly with respect to our fiscal agency activities, it became necessary to enlarge and modernize our quarters in order to provide adequate working space for the increased personnel at the head office. Two more stories were added to the building, the "light well" was filled in, and the lighting and air conditioning equipment was completely renovated. All of these improvements were completed early in January.

With a view of strengthening the ties of our relationship with member banks and cultivating the good will of the nonmember banks, we gave a dinner January 24, honoring the visiting representatives of the Board of Governors, and sent an invitation to every bank in the Eleventh District to have one of its officers be our guest at the dinner. The invitation list also included, in addition to our own officers, directors, and branch directors, the sixteen living former directors of our Bank, members of the Industrial Advisory Committee, the Chief National Bank Examiner, the Supervising Examiner for the F.D.I.C., the State Bank Commissioners of the five States attached to our District, and the editors and publishers of the local newspapers. Four hundred persons attended the dinner, at which addresses were made by Governors McKee and Szymczak, and by Walter P. Napier, President of the Texas Bankers Association.

More than one hundred of the visiting bankers and special guests went through our building. Then we announced through the press that on the evening of January 25 we would hold "open house". More than 5,000 visitors were shown through the building by specially selected employees who explained the various activities of our institution. The majority of the visitors were members of local civic organizations, such as service clubs and the faculties of public schools and colleges, who are in a position to disseminate widely what they learned from their visit in regard to the work and purposes of a Federal Reserve Bank.

SAN FRANCISCO

Industries continue to expand in Los Angeles and its suburbs, and there is a large amount of building activity to meet defense plant and housing needs. Some concern is expressed by bankers as to the ultimate effects this will have upon the Los Angeles area.

Spokane, situated as it is in the center of the inland district in the State of Washington and serving as the trading center for northern Idaho and portions of Oregon and Montana, is obtaining the benefits of increased agricultural, mineral, and lumber activities in that vast area. Mine output in that area is increasing and the outlook for the future is quite favorable at present, based on the prospect of higher metal prices. Employment in general is reported to be on the increase, with most mills and machine shops in the city and environs working at or near capacity.

Apple growers, on the other hand, have been adversely affected from the loss of foreign markets, but other farmers are indicating larger returns from operations, particularly from livestock and wool.

PUBLIC RELATIONS ACTIVITIES OF FEDERAL RESERVE BANKS

January 1941

Federal Reserve Bank	Visits to Banks			Meetings Attended		Addresses Made	
	Member	Nonmember	Total	Number	Attendance	Number	Attendance
Boston	9	3	12	3	<u>1/</u>	2	640
New York	43	22	65	15	4,450	5	2,000
Philadelphia	43	24	67	7	1,034	7	1,034
Cleveland	107	40	147	9	582	10	530
Richmond	14	8	22	23	2,315	14	610
Atlanta	9	5	14	10	315	10	315
Chicago	15	47	62	3	2,100	5	700
St. Louis	35	66	101	11	2,780	3	415
Minneapolis	10	1	11	6	1,310	6	810
Kansas City	7	1	8	10	716	1	60
Dallas	40	2	42	5	850	1	125
San Francisco	16	4	20	15	1,320	4	250

1/ Not reported.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-793



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 4, 1941

Dear Sir:

There are enclosed for your information 15 copies of Revised Circular Number 2, relating to the Priorities System, issued by the Director of Priorities, Office of Production Management.

Circular Number 1, "Instructions for Filling Out Applications for Preference Ratings", is now in the process of revision. A supply of Circular Number 1 and a supply of application forms for preference ratings will be forwarded to you as soon as they are made available to us by the Office of Production Management.

Ten copies of the Revised Circular Number 2 are being forwarded to the field representative at each of your Branches, if any.

Very truly yours,

A handwritten signature in cursive script that reads "Ernest G. Draper".

Ernest G. Draper.

Enclosures 15

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS
COPY TO FIELD REPRESENTATIVES

(Enclosures to Presidents and Field Representatives only)

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-794

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



March 5, 1941

Dear Sir:

As indicated in the Board's telegram of January 16, 1941, advising you of amendment No. 4 of Regulation U, the regulation has been reprinted to incorporate this amendment, and copies of the reprint are being forwarded to you under separate cover. The reprint, of course, incorporates the postponement of the effective date of amendment No. 4 from February 17, 1941 to February 24, 1941, of which you have already been advised.

You will note in this connection that, besides the deletion of the footnotes indicating earlier amendments, the second paragraph of the "Explanatory Foreword" (which is not a part of the regulation) has been omitted. A footnote referring to the new material added by amendment No. 4 has been added at two points in the second paragraph of section 1, and another has been added before subsections (m), (n), and (o) of section 3 to indicate their addition by the recent amendment.

Very truly yours,

A handwritten signature in cursive script, appearing to read "L. P. Bethea".

L. P. Bethea,
Assistant Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-795

109

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 7, 1941

Dear Sir:

Referring to the Board's letter R-765 of January 11, 1941, the following changes took place during February in the list of nonmember banks that have in force agreements with the Board pursuant to the provisions of Section 8(a) of the Securities Exchange Act of 1934:

Deletions

New York

Forest Hills
(New York City)

Boulevard Bank
(Admitted to Federal Reserve
membership on February 15, 1941)

Hudson

Hudson River Trust Company
(Admitted to Federal Reserve
membership on February 19, 1941)

Other Changes

Pennsylvania

Philadelphia

Mitten Bank and Trust Company
(Title changed to Mid-City Bank
and Trust Company on February
4, 1941)

Very truly yours,

L. P. Bethea,
Assistant Secretary,

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-796 110

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 10, 1941

Dear Sir:

There are enclosed for your information copies of the following forms issued by the War and Navy Departments and the Advisory Commission to the Council of National Defense:

- Form 1296 Notice of Procedure for Certification under Section 124 of the Internal Revenue Code;
- Form 3042 Application for Government Protection Certificate;
- Form 3043 Application for a Non-reimbursement Certificate;
- Form 3044 Application for a Necessity Certificate.

There is also enclosed for your information a copy of a letter which has been received from the Assistant to the Director of Purchases and Contracts.

The revised application forms supersede those formerly used, and as stated in our letter of January 8, 1941, R-763, their use is optional.

Fifty copies of each of the forms have been sent to the field representative at your head office and ~~ten~~ copies to the representative at each of your branches, if any. Five copies of the letter above referred to have been sent to each field representative.

Very truly yours,

Ernest G. Draper
Ernest G. Draper.

Enclosures 5

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

COPY TO FIELD REPRESENTATIVES

(Enclosures to Presidents and Field Representatives only)

WAR DEPARTMENT
OFFICE OF THE ASSISTANT SECRETARY
Washington, D. C.

March 6, 1941

Federal Reserve Bank,
Federal Reserve Building,
Washington, D. C.

Attention: Mr. Boothe

Gentlemen:

In accordance with your request there will be forwarded to you copies of forms, instructions, etc., pertaining to tax amortization under Section 124 of the Internal Revenue Code, as amended, for distribution to your branches.

The desirability of placing your different branches in a position to be of assistance to those seeking to avail themselves of the advantages of this Statute is appreciated. There are, however, certain dangers in broad distribution of the relevant forms, instructions and information. It is appropriate, therefore, to indicate some of them.

The first danger is that the forms, instructions, etc., are very much subject to change because the law is a new one and administration is being developed. Applicants are a little prone to consider these documents as conclusively authoritative.

The second danger is that which results from the time limits prescribed by the Act. It is far wiser for an applicant to file an application (even if it is incomplete) and then to discuss it, than to participate in involved discussions which may prove sufficiently protracted to outlaw his application when it is filed.

The third danger is that of volunteering opinions, no matter how guarded, on such questions as what constitutes "necessity". In at least one instance an applicant lost very substantial rights because of following an opinion expressed in reference to a hypothetical case.

There is, however, one point which it would be helpful to have better understood. The necessity of an expansion of plant facilities is not necessarily determined by the need of a particular plant to expand in order to fill government orders. The capacity of the industry as a whole is a factor, not necessarily a controlling factor, that receives serious consideration. Some applicants seem to feel that just because they need

-2-

to expand, certification of their programs should follow as a matter of course.

At the present time it probably is more expeditious for an applicant to file with the War Department in Washington than with contracting offices "in the field". You will notice that in the enclosed memorandum filing in the field is suggested. However, circumstances have changed during recent months.

In conclusion, and in reference to something which does not necessarily apply to tax amortization, this office is prepared to investigate and report the desirability of making loans in the interest of the national defense. However, such requests should come from a responsible lending agency which is interested in the financing, and not from the would-be borrower. Any such requests may be addressed to this office in the attention of the Tax Amortization Certificate Section.

Very truly yours,

(Signed) S. S. Duryee

S. S. Duryee
Assistant to the Director
of Purchases and Contracts

Incl.
Memorandum

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 11, 1941

Dear Sir:

The field representatives at head offices and branches of Federal Reserve Banks were furnished, as stated in our letter of January 16, 1941, R-769, a small supply of a pamphlet entitled "Defense Contracts Awarded by Federal Reserve Districts and Industrial Areas, June 1 to December 31, 1940", prepared by the Bureau of Research and Statistics of the National Defense Advisory Commission. We have just received a limited number of copies of a revision of this pamphlet covering the period June 1, 1940 to January 31, 1941, ten copies of which are being sent to the field representative at your head office and three copies to the representative at your branches, if any.

Very truly yours,

Ernest G. Draper
Ernest G. Draper.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS
COPY TO FIELD REPRESENTATIVES
(Pamphlets to field representatives only)

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-798

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 13, 1941



Dear Sir:

Reference is made to the Board's circular letter R-708 dated September 27, 1940 regarding so-called "currency exchanges" which may be operating in violation of section 21(a)(2) of the Banking Act of 1933. In that letter you were advised that there was pending in one of the United States district courts in Illinois a case brought under the provision of law referred to above against a so-called "currency exchange" which the Department of Justice regarded as a test case; and that you would be advised of the outcome of this case upon receipt of such information from the Department of Justice.

Under date of March 4, 1941 the Director of the Federal Bureau of Investigation advised the Board of the outcome of such case and for your information the text of such advice is quoted below in full:

"With further reference to my letter of October 4, 1940, concerning the case involving Victor C. Singler, Owner, Nokomis Currency Exchange, Nokomis, Illinois, you are advised that Singler entered a plea of nolo contendere before United States District Judge Charles G. Briggie, Springfield, Illinois, on January 18, 1941.

"After presentation of the facts by an Assistant United States Attorney, the Court found Singler guilty, and thereafter imposition of sentence was suspended and he was placed on probation for a period of one year."

In view of the decision in this case your Bank should continue to report apparent violations of section 21 of the Banking Act of 1933 to the appropriate authorities.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

TO THE PRESIDENTS OF
ALL FEDERAL RESERVE BANKS

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

115

R-799

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 17, 1941



Dear Sir:

Under separate cover we are sending you two copies of the new edition of the Federal Reserve Chart Book containing charts on bank credit, money rates, and business. Copies have also been sent to your Research Department. Additional copies for the use of the Bank's staff may be procured upon request.

We are arranging to sell single copies of the new Chart Book at 50 cents, the same price as before, and to charge 45 cents a copy in quantities of 10 or more. Since the Chart Book has already proved to be of considerable use in classrooms, we are sending a descriptive letter, a copy of which is enclosed, to the economics faculties of about 150 colleges and universities throughout the country. This letter, as you will see, describes not only the present Chart Book but also the Industrial Production Chart Book and mentions the availability of the Bulletin and of the System booklet for classroom use.

It is deemed desirable to secure as wide a use of the Chart Book as possible on the basis of its merit and usefulness and not through complimentary distribution. The prices at which the Chart Books are sold either singly or in quantity barely cover the direct costs. Copies are available free to members of the staff of the Federal Reserve Banks, to Government departments, to members of the State banking departments, and to the economics departments of colleges and universities.

It appears doubtful if the Chart Book would be of interest to more than a relatively small number of member banks and the intention is to make a charge to member banks for copies ordered by them. However, should you desire to distribute copies to some of your member banks at your own expense, it is not felt that this would be in conflict with the Board's policy.

Very truly yours,

A handwritten signature in cursive script that reads "Chester Morrill".

Chester Morrill,
Secretary.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-800

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 18, 1941



Dear Sir:

There is attached a copy of the report of expenses of the main lines of the Federal Reserve Leased Wire System for the month of February 1941.

Please credit the amount payable by your Bank to the Board, as shown in the last column of the statement, to the Federal Reserve Bank of Richmond in your daily statement of credits through the Interdistrict Settlement Fund for the account of the Board of Governors of the Federal Reserve System, and advise the Federal Reserve Bank of Richmond by mail the amount and purpose of the credit.

Very truly yours,

A handwritten signature in cursive script that reads "O. E. Foulk".

O. E. Foulk,
Fiscal Agent.

Enclosure

TO PRESIDENTS OF ALL FEDERAL RESERVE BANKS
EXCEPT RICHMOND

REPORT OF EXPENSES OF MAIN LINES OF FEDERAL RESERVE
LEASED WIRE SYSTEM FOR THE MONTH OF FEBRUARY 1941

Federal Reserve Bank	Number of Words Sent	Words Sent by N. Y. Chargeable to Other F.R. Banks	Total Words Chargeable	Pro Rata Share of Total Expenses (1)	Expenses Paid by Banks and Board (2)	Payable to Board of Governors
Boston	27,382	483	27,865	\$ 541.59	\$ 274.03	\$ 267.56
New York	69,736	-	69,736	1,355.39	873.62	481.77
Philadelphia	18,203	488	18,691	363.28	240.05	123.23
Cleveland	31,750	489	32,239	626.60	310.76	315.84
Richmond	36,762	484	37,246	723.92	328.99	394.93
Atlanta	37,377	483	37,860	735.85	239.31	496.54
Chicago	60,716	513	61,229	1,190.05	1,270.56	80.51(a)
St. Louis	40,417	483	40,900	794.93	239.39	555.54
Minneapolis	17,725	483	18,208	353.89	185.06	168.83
Kansas City	37,450	483	37,933	737.27	273.01	464.26
Dallas	34,188	497	34,685	674.14	325.33	348.81
San Francisco	45,904	488	46,392	901.68	427.13	474.55
Board of Governors	282,332	-	282,332	5,487.42	9,498.77	-
Total	739,942	5,374	745,316	\$14,486.01	\$14,486.01	\$4,091.86 80.51(a) \$4,011.35

(1) Based on cost per word (\$.019436065) for business handled during the month.

(2) Payments by Banks are for personal services and supplies and payments by Board are for personal services and supplies (\$1,157.98) and wire rental (\$8,759.09) less amount (\$418.30) representing reimbursement for the cost of sending messages between the Washington office of the Leased Wire System and the local telegraph offices of the Treasury, Reconstruction Finance Corporation, and the Commodity Credit Corporation. Personal services include salaries of main line operators and of clerical help engaged in work on main line business, such as counting the number of words in messages; also overtime and supper money and Retirement System contributions at the current service rate.

(a) Credit--reimbursable to Chicago.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

STATEMENT FOR THE PRESS

For release in morning papers,
Wednesday, March 19, 1941.

The following summary of general business and financial conditions in the United States, based upon statistics for February and the first half of March, will appear in the April issue of the Federal Reserve Bulletin and in the monthly reviews of the Federal Reserve Banks.

Industrial activity and employment increased further in February and the first half of March. Buying by producers and consumers continued in large volume and wholesale commodity prices, particularly of imports, advanced.

Production

In February volume of industrial output, on a daily average basis, rose more than seasonally, and the Board's adjusted index advanced from 139 to 141 per cent of the 1935-39 average.

Increases in February, as in other recent months, were largest in the durable goods industries where a large proportion of defense program orders have been placed. Activity continued to rise sharply at machinery plants, aircraft factories, shipyards, and in the railroad equipment industries. Steel production fluctuated around 96 per cent of capacity in January and February and rose to 99 per cent in the first half of March. New orders for steel continued large and, despite the high rate of output, unfilled orders increased further.

Many orders have been placed for delivery in the second half of this year, reflecting the prospect of heavy consumption and some uncertainty on the part of steel users regarding future availability of supplies. Output of pig iron, coke, and nonferrous metals was likewise at near capacity rates in February and unfilled orders for these products, too, were at exceptionally high levels. Demand for lumber continued large owing to a high rate of construction activity and output was sustained in large volume for this time of year. Automobile production increased in February and the first half of March to about the peak rate attained last November. Retail sales of new and used cars advanced to unusually high levels.

In industries manufacturing nondurable goods, activity continued at the record levels reached in the latter part of 1940. There were further increases in the cotton textile, rubber, and chemical industries and activity at woolen mills also increased, following a temporary reduction in January. In most other lines activity was maintained at the high levels of other recent months.

Coal production rose less than seasonally in February but increased considerably in the first half of March when, according to trade reports, there was some inventory accumulation in anticipation of a possible shutdown on April 1 at the expiration of the present contract between the mine operators and the miners' union. Copper and zinc production increased in February and recently domestic supplies of copper have begun to be supplemented by imports from South

America. Output of crude petroleum continued at about the rate that had prevailed during the three preceding months.

Value of construction contract awards in February declined somewhat more than seasonally, reflecting decreases in both public and private work, according to reports of the F. W. Dodge Corporation. Awards for public construction, although sharply reduced from the high levels reached in the latter half of 1940, were somewhat above those of a year ago, and awards for private construction were nearly half again as large as in February of last year.

Distribution

Distribution of commodities to consumers increased more than seasonally from January to February. Sales at variety stores and by mail-order houses were the largest on record, making allowance for usual seasonal changes, and department store sales were also at a high level.

Freight-car loadings increased by about the usual seasonal amount. Shipments of miscellaneous freight, consisting mostly of manufactured products, showed an increase while loadings of forest products rose less than seasonally and grain shipments declined.

Wholesale commodity prices

Prices of a number of basic imports rose sharply from the early part of February to the middle of March. Cotton yarns and gray goods and nonferrous metal scrap showed further increases in this period and there were also advances in prices of some other

domestic commodities, including lead, wheat, cotton, and oils and fats.

Bank credit

Commercial loans continued to increase at member banks in 101 leading cities in February and the first half of March and these banks also purchased additional Treasury notes and bills issued in connection with the defense program. As a result of the increase in loans and investments, bank deposits showed a further marked advance.

United States Government security prices

Prices of Government securities increased after February 15, following a sharp decline in the preceding ten weeks. The 1960-65 bonds on March 15 were about 3-1/8 points above their price on February 15 and about 1-1/4 points below the all-time peak of December 10. The yield on this issue, which increased from 2.03 per cent at the peak in prices on December 10 to 2.30 per cent on February 15, had declined to 2.14 per cent on March 15.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

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R-802

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 18, 1941

Dear Sir:

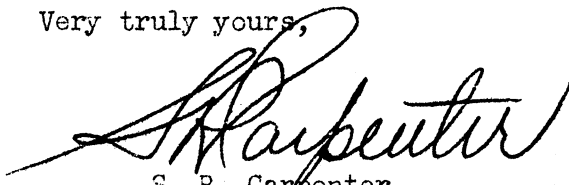
The Board of Governors of the Federal Reserve System is advised that the following holidays will be observed by Federal Reserve Banks and branches during the month of April 1941:

April 7 (Monday)	Detroit		General Election Day in Michigan
April 11 (Friday)	Philadelphia Pittsburgh Baltimore Jacksonville	Nashville New Orleans Memphis Minneapolis	Good Friday
April 12 (Saturday)	Charlotte		Halifax Day
April 14 (Monday)	Richmond	Birmingham	Anniversary of Thomas Jefferson's birthday, which falls on Sunday
	Charlotte		Easter Monday
April 19 (Saturday)	Boston		Patriot's Day
April 21 (Monday)	Dallas El Paso	Houston San Antonio	San Jacinto Day
April 22 (Tuesday)	Oklahoma City		Anniversary of opening of Indian Territory
	Omaha		Arbor Day in Nebraska
April 26 (Saturday)	Atlanta Birmingham	Jacksonville	Southern Memorial Day

On the dates mentioned the offices affected will not participate in either the transit or the Federal Reserve note clearing through the Interdistrict Settlement Fund. Please include transit clearing credits for the offices concerned on each of the holidays with your credits for the following business day. No debits covering Federal Reserve note shipments for account of the head offices affected should be included in your note clearings of April 11, 14 or 21.

Please notify branches.

Very truly yours,

A handwritten signature in cursive script, appearing to read "S. R. Carpenter".

S. R. Carpenter,
Assistant Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 19, 1941

Dear Sir:

There has been forwarded today to the Defense Contract Officer at your Head Office and each branch, if any, one copy each of the following items:

"Army and Navy Munitions Board Guide to Industrial Symbols"

"Army Specification Guide, 1941"

"Classification Index of Naval Stores and Material"

"War Department Procurement Planning Bulletin, March 1941".

The above items, except the first, are among those referred to by Mr. Robert L. Mehornay at the meeting of the Conference of Presidents of the Federal Reserve Banks with representatives of the Board of Governors and the Defense Contract Service on February 7, 1941.

The remaining items referred to by Mr. Mehornay will be forwarded to you as quickly as they are made available by the War and Navy Departments.

Very truly yours,

A handwritten signature in cursive script that reads "Ernest G. Draper".

Ernest G. Draper.

Enclosures 4

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS
COPY TO FEDERAL RESERVE DEFENSE CONTRACT OFFICERS
(Enclosures to Federal Reserve Defense Contract Officers only)



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

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R-804

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 19, 1941.

Dear Sir:

I am pleased to enclose for your information a copy of my fourth report, dated March 18, 1941, to the Board on the activities of the Federal Reserve System in connection with the Defense Program.

A copy of this letter, with enclosure, has been sent to the Defense Contract Officer at your Head Office and each of your Branches, if any.

Very truly yours,

Ernest G. Draper
Ernest G. Draper

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS
COPY TO DEFENSE CONTRACT OFFICERS

(Enclosure to Presidents and Defense Contract Officers only)

DEFENSE CONTRACT CASES HANDLED BY THE
BOARD'S STAFF THROUGH THE
FEDERAL RESERVE BANKS

<u>Date</u>	<u>District</u>	<u>Subject</u>
<u>1941</u>		
2/3	New York	Request from the Office of the Under Secretary of War for information as to the responsibility and financial condition of a concern which has bid on an Ordnance Department contract involving approximately \$2,000,000.
2/3	New York	Request from the Office of the Under Secretary of War for information as to the responsibility and financial condition of a concern which contemplates organizing a subsidiary company to perform a defense contract, which the parent company will guarantee.
2/3	Cleveland	Inquiry as to whether the Defense Plant Corporation could erect a plant on encumbered property.
2/3	Dallas	Request for information as to whether or not an electric power company would be eligible for an EPF contract to extend its power lines to an Army camp.
2/3	Cleveland	Request for the name and title of the proper official of the War Department to be communicated with in connection with Air Corps specifications for aircraft.
2/3	Richmond	Request that we expedite transmittal of a contract entered into by the Navy Department and a contracting concern in Baltimore.
2/3	Boston	Request that we expedite transmittal of a contract entered into by the Navy Department and a contracting concern located in East Boothbay, Maine.
2/4	New York	Request for information as to the proper head of department to give consent to assign claims resulting from a CAA contract entered into July 5, 1940.
2/4	Philadelphia	Request that we expedite an acknowledgment of assignment filed with the General Accounting Office.
2/4	Dallas	Inquiry as to whether or not the acceptance of a bid by the Maritime Commission constitutes a contract, the claims resulting from which are assignable under the Assignment of Claims Act.

<u>Date</u>	<u>District</u>	<u>Subject</u>
2/4	Chicago	Request for information as to whether or not a bank can act as trustee under the Assignment of Claims Act, in order to assure payments to a subcontractor, when such bank does not advance funds to the primary contractor.
2/4	New York	Request from the Office of the Under Secretary of War for information as to the responsibility and financial condition of a contractor awarded an \$80,000 defense contract.
2/5	Oklahoma City	Request from the Office of the Under Secretary of War for information as to the responsibility and financial condition of a contractor awarded a \$5,000,000 defense contract.
2/4	Kansas City	Request that we investigate the operations of an individual who has approached industrial concerns in the Tenth Federal Reserve District, claiming to represent the British Government and authorized to place orders on a 10 per cent commission basis.
2/5	Dallas	Request from the Office of the Under Secretary of War for information as to the ability of management, responsibility, and financial condition of a concern being considered by the War Department to construct an aircraft assembly plant at an estimated cost of \$5,000,000.
2/5	Chicago	Request from the Office of the Under Secretary of War for information as to the ability of management, responsibility, and financial condition of a concern being considered by the War Department to construct an aircraft assembly plant at an estimated cost of \$5,000,000.
2/5	St. Louis	Request from the Office of the Under Secretary of War for information as to the ability of management, responsibility, and financial condition of two concerns being considered jointly by the War Department to construct an aircraft assembly plant at an estimated cost of \$5,000,000.
2/5	Omaha	Request from the Office of the Under Secretary of War for information as to the ability of management, responsibility, and financial condition of two concerns being considered jointly by the War Department to construct an aircraft assembly plant at an estimated cost of \$5,000,000.

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<u>Date</u>	<u>District</u>	<u>Subject</u>
2/5	Kansas City	Request from the Office of the Under Secretary of War for information as to the ability of management, responsibility, and financial condition of three concerns being considered jointly by the War Department to construct an aircraft assembly plant at an estimated cost of \$5,000,000.
2/5	Dallas	Request from the Office of the Under Secretary of War for a report on the management, responsibility, and financial condition of a concern requesting an advance of \$298,000 on a \$1,100,000 Ordnance contract.
2/6	St. Louis	Request for addresses of contracting officers under War Department cost-plus-fixed-fee construction contract.
2/7	Chicago	Request from the Office of the Under Secretary of War for a report on the management, responsibility, and financial condition of a concern requesting an advance of \$675,000 on a \$2,250,000 Ordnance contract.
2/7	Baltimore	Inquiry as to whether or not payments will be made periodically by the Jeffersonville Quartermaster Depot to a contractor, when the goods contracted for are delivered from time to time over a five-month period, or a single payment made upon completion of the contract.
2/6	Philadelphia	Request from the Office of the Under Secretary of War for a report on the management, responsibility, and financial condition of a concern requesting an advance of \$300,000 on a \$1,000,000 Ordnance contract.
2/7	Cleveland	Request for the names of proper officials of the War Department who have final voice in determining the kind of wearing apparel purchased by the Quartermaster Corps.
2/7	Boston	Request from the Office of the Under Secretary of War for a report on the management, responsibility, and financial condition of a concern requesting an advance of \$200,000 on a \$665,000 Ordnance contract.
2/8	Dallas	Request from the Office of the Under Secretary of War for information as to the ability of management, responsibility, and financial condition of a concern being considered as contractor for an air base at an estimated cost of \$1,500,000.

<u>Date</u>	<u>District</u>	<u>Subject</u>
2/8	Minneapolis	Request from the Office of the Under Secretary of War for information as to the ability of management, responsibility, and financial condition of two concerns being considered jointly as contractors for an air base at an estimated cost of \$1,500,000.
2/6	Philadelphia	Inquiry as to the status of an application filed with the Navy Department for an EPF contract.
2/11	New York	Inquiry relating to the application of the Miller Act. Also, inquiry as to whether or not a disbursing officer would undertake to pay to designated subcontractors upon completion of their work specified parts of the amount due the prime contractor.
2/11	Richmond	Request that we expedite transmission of a contract to a primary contractor, awarded by the Bureau of Supplies and Accounts of the Navy Department.
2/11	Cleveland	Request for advice as to whether certain references in the Army Purchase Information Bulletin cover porcelain enamel products used in Army hospitals.
2/11	Baltimore	Request for the name of the successful bidder on 52,000,000 cardboard boxes for Frankfort Arsenal, Philadelphia.
2/11	Philadelphia	Request that we expedite acknowledgment of assignment filed with the Bureau of Supplies and Accounts, Navy Department.
2/14	Cleveland	Request for figures relating to EPF contracts, loans made by the Defense Plant Corporation, banks, and the Reconstruction Finance Corporation.
2/13	Cleveland	Request for names of concerns bidding on buoys for the Navy Department.
2/14	Cleveland	Request from the Office of the Under Secretary of War for information on the management, responsibility, and financial condition of a concern requesting an advance of \$700,000 on a \$2,500,000 Ordnance contract.

<u>Date</u>	<u>District</u>	<u>Subject</u>
2/14	Cleveland	Request from the Office of the Under Secretary of War for a report on the management, responsibility, and financial condition of a concern requesting an advance of \$30,000 on a \$100,000 Chemical Warfare contract.
2/17	Chicago	Inquiry as to who has authority to purchase encyclopedias for the Army and C.C.C. Camps.
2/14	Chicago	Request for information as to terms of a contract awarded by the Holabird Quartermaster Depot.
2/13	Dallas	Inquiry as to the proper official of the War Department to communicate with regarding the sale of property near Camp Walters, Texas, suitable for building sites for officers' quarters.
2/17	Atlanta	Inquiry as to whether or not the prohibition against assignment can be removed from a construction contract involving 300 housing units at Tampa, Florida, for the Public Buildings Administration.
2/17	Philadelphia	Request from the Office of the Under Secretary of War for a report on the management, responsibility, and financial condition of a concern requesting an advance of \$800,000 on a \$2,700,000 Ordnance contract.
2/14	Chicago	Request for the name of the proper official of the Quartermaster Corps to be communicated with regarding the inability of a concern to obtain defense orders.
2/19	Atlanta	Request as to whether or not a concern, if awarded a contract to build a certain type of boat, will be eligible for an EPF contract.
2/18	St. Louis	Request for advice as to the terms of a contract to be awarded a textile mill in Mississippi, which has received a letter of award from the Quartermaster Depot in Philadelphia.
2/19	Chicago	Inquiry as to whether or not a Signal Corps contract, marked "confidential", is assignable under the provisions of the Assignment of Claims Act.
2/19	Dallas	Request for information as to whether under the Assignment of Claims Act, the separate interests of joint contractors under a cost-plus-fixed-fee construction contract may be individually assigned, or whether both contractors are required to join in the assignment.

<u>Date</u>	<u>District</u>	<u>Subject</u>
2/19	Chicago	Inquiry as to whether a partnership contemplating expansion of plant facilities because of defense work as a subcontractor can be granted authority to amortize the cost of such facilities over a period of five years.
2/20	Cleveland	Inquiry as to whether it is the standard practice of the Army and Navy to require the pledge of collateral to secure funds advanced by the Government to primary contractors.
2/20	Chicago	Request that we expedite transmission of a set of blueprints in connection with certain articles required by the Navy to a concern desiring to bid on such articles.
2/20	Chicago	Request for information concerning defense housing projects in the vicinity of Charleston, South Bend, and Bloomington, Indiana.
2/20	Chicago	Request that we expedite action by the Priorities Committee of the Army-Navy Munitions Board in connection with a request for a preference rating from a concern in need of nickel anodes.
2/20	Chicago	Request for information as to the status of a payment due a contractor who has made delivery of articles contracted for by Edgewood Arsenal, Maryland.
2/18	Boston	Request for information from the War Department as to the status of the industrial jewel market.
2/20	Chicago	Inquiry as to the proper official of the Navy to be communicated with in connection with superchargers for Diesel engines.
2/24	Chicago	Inquiry as to the proper officials of the War Department to be communicated with in connection with construction work at Fort Benjamin Harrison, Indiana, and a building located in Indianapolis, leased by the Chemical Warfare, Procurement Division.
2/24	Los Angeles	Request for information as to the procedure to be followed by a contractor desiring to obtain an advance payment on a contract with the Chemical Warfare Service.
2/24	New York	Inquiry as to whether or not under the Assignment of Claims Act a bank can act as trustee for an individual making an advance to a contractor, when the trustee bank, itself, is not advancing funds.

<u>Date</u>	<u>District</u>	<u>Subject</u>
2/24	New York	Inquiry as to whether receipts of notices of assignment of claims in connection with a plant facilities contract should be filed with the Government.
2/24	Atlanta	Request for information as to whether an association of woodworkers can submit bids on Government contracts and then parcel out the work to two or more of its members.
2/24	Chicago	Request that we expedite payment on a contract for certain machinery shipped by the contracting company to Edgewood Arsenal, Maryland.
2/25	New York	Request that we expedite transmission of a contract from the Philadelphia Quartermaster Depot to the contracting company.
2/25	Chicago	Request that we investigate the status of a contract for the construction of temporary barracks at Chanute Field, Illinois.
2/27	Minneapolis	Inquiry as to whether or not the Robinson-Patman Act would operate to establish a price bid by a manufacturer on defense work as a basic price for all Government agencies.
2/26	Chicago	Request from the Office of the Under Secretary of War for a report on the management, responsibility, and financial condition of a concern requesting an advance of \$75,000 on a \$250,000 Signal Corps contract.
2/26	St. Louis	Request from the Office of the Under Secretary of War for a report on the management, responsibility, and financial condition of a concern requesting an advance payment on a \$20,000,000 Ordnance contract.
2/20	Philadelphia	Request that we expedite acknowledgment of a notice of assignment filed with the Chief of the Bureau of Ordnance, Navy Department.
2/27	Cincinnati	Inquiry as to the authority of certain contracting officers to execute Air Corps contracts and as to the existence of unused appropriated funds for the payment of the contracts.
2/28	New York	Inquiry as to whether or not the Maritime Commission has authority to make advance payments up to 30 per cent to primary contractors, similar to the advances made by the War and Navy Departments.

SUMMARY OF CERTAIN POINTS OF INTEREST CONTAINED IN FEDERAL
RESERVE BANK REPORTS ON ACTIVITIES OF DEFENSE CONTRACT OF-
FICERS IN BEHALF OF THE DEFENSE PROGRAM DURING FEBRUARY 1941

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Boston

Many inquiries have been received with respect to the procedure to be followed in applying for priority ratings. A number of requests have also been received for application forms for priority ratings.

On two different occasions during the month a local bank requested the Reserve Bank to check with the Quartermaster at Philadelphia with respect to delays in receiving contracts executed by that office; also, with respect to payment covering goods shipped under such contracts.

Information with respect to the financial responsibility of certain concerns has been furnished the Harbor Defense, Portland, Maine; the Federal Reserve Bank of Cleveland; the United States Engineer's Office, Providence, Rhode Island; and the Board of Governors.

The Reserve Bank was instrumental in arranging financing for one contractor through a member bank.

The clearinghouse committees in all of the New England states continued to hold their periodical meetings. Banks throughout the industrial centers of the District are making loans and are interested in soliciting and extending further credit to both primary and subcontractors.

New York

In furtherance of the educational program with respect to the financing of Defense contracts, representatives of the Reserve Bank participated in two meetings during the month.

As a result of the extensive publicity given to the activities of the Federal Reserve System in the Defense Program many more direct interviews were handled during the month than heretofore. Cases that appeared to have the most merit and which related more or less directly to the immediate needs of the Army and Navy were advised to file with the Reserve Bank a complete inventory of their machinery and equipment with special emphasis on machine tools. The suggestion was made that such inventory include the name, number, type, age, and present condition of each machine. This program was followed in lieu of the use of the "Facilities for Defense Supplies" form which has been discontinued.

The problems of financing have not been very numerous and all inquiries were settled in a satisfactory manner by means of referring prospective borrowers to their commercial banking connections.

Voluminous correspondence has been handled with respect to all phases of the Defense Program and the staff of the Board of Governors has given very prompt service in the case of certain technical problems which have developed from time to time.

Philadelphia

During the month representatives of the Reserve Bank addressed two meetings relating to the Defense Program.

Several inquiries were received from municipal officials, chambers of commerce, legion posts, etc. regarding the establishment of Defense industries in their localities where, as a rule, idle plant facilities exist.

The Reserve Bank's facilities were extended to a recently established shipbuilding company which was supplied with information as to prospective subcontractors.

Various transactions under Defense contracts have been expedited by the cooperation of local procurement and finance officers. Assistance has been rendered procurement officers through credit investigations of the proposed recipients of contracts.

Cleveland

The number of Defense inquiries increased after the Defense Contract Service was announced. The establishment of priorities in a few lines caused certain companies to request information with respect to the Defense Program.

Representatives of many small concerns called at the bank having been directed there by the Defense Commission or congressional representatives under the impression that the Defense Contract Service is in position to refer to them specific Defense business or to suggest a definite Defense article which they might produce. There is some evidence of impatience and dissatisfaction on the part of small concerns or communities which, having read about "Rehabilitation of Ghost Towns", "Aid to Small Business" and "Seeking Production Facilities wherever Located" have not received any Defense work. Inventorying and cataloging of facilities offered, with the suggestion that when primary contractors request assistance the plants seeking work will be referred to the inquiring concerns, is not entirely satisfactory.

Relatively few primary contractors have requested assistance up to this time which would enable the Reserve Bank to bring to their attention facilities available at small plants.

During February three applications for 13b loans were received. One application involving \$10,000 was withdrawn; the other two were approved.

Richmond

In considering an application for a certificate of necessity, the Office of Production Management requested the Reserve Bank to obtain certain data with respect to sheet metal facilities in the Norfolk area and the information was obtained and transmitted promptly.

The Reserve Bank agreed to join a member bank in a \$250,000 loan to a Baltimore concern which is to manufacture gun shields for the Navy. Inspection of the contract was essential but great difficulty was experienced in having it forwarded to the manufacturer. Through the persistent efforts of the Board's staff the contract was finally obtained.

A substantial number of concerns which have furnished Facilities for Defense Supplies forms have advised that they have received no opportunity to do any contract work. Some of these concerns answered the Reserve Bank's inquiry in January regarding millwork for housing projects.

Of the twelve industrial loan applications, aggregating \$1,951,500, which have been received from concerns engaged in Defense work, eleven, amounting to \$1,921,500 were approved. Financing institution participation in these loans amounted to \$795,625.

Atlanta

The Reserve Bank has agreed to issue a commitment agreement to acquire an interest, not exceeding \$500,000, in a Defense loan being made by several member banks. The Executive Committee has approved an application of a bank for a commitment agreement providing for the acquisition by the Reserve Bank of 50 per cent interest in a Defense loan that the bank intends to make in the amount of \$585,000. Approval has been given to the making of a direct Defense loan not to exceed \$200,000 by the Reserve Bank to a construction company to provide working capital. Prior to approval local banks were approached but they were not willing to participate.

Specifications relative to the construction of 14 warehouses in Georgia were sent to another Federal Reserve Bank on date of receipt of the request for this information. At the request of a Federal Reserve Branch in another district a list of concerns in Tennessee, equipped to bid as prime contractors and subcontractors on Ordnance items, was compiled and forwarded. By communicating with the Board's staff the Reserve Bank was able to advise a bank in Tampa within 48 hours the manner in which an assignment of moneys due under a contract might be arranged to enable the bank to finance the operations of a construction company. The Atlanta office of the Signal Corps was furnished with financial and other information regarding a construction company.

Mr. Neely, recently appointed District Coordinator, called a meeting of the Reserve Bank's Defense Staff, certain Army officers, and others interested in the Defense Program, and outlined his plans under the new organization.

Chicago

It has been gratifying to find that some of the concerns which have sought the Reserve Bank's advice have been successful in securing Government contracts. Advice has been received from various procurement offices that the number of requests for invitations to bid has greatly exceeded expectations. Some manufacturers report that insufficient time is allowed between receipt of an invitation to bid and the opening date of the bid. Firms seeking subcontract work report that as a general rule prime contractors are offering the least desirable portions of their contracts to subcontractors.

A firm which advised that it was loaded beyond capacity on Defense work was furnished the names of over thirty firms in the area equipped to handle the work specified and advice has been received that such information was helpful and that the firm was appreciative of the service rendered.

Various banks report negotiations under way with respect to prospective loans to finance supply contracts and in a number of instances banks report having consummated loans of this type. The Reserve Bank is daily advising with banks and manufacturers concerning the financing of Defense contracts and other features of the Program.

St. Louis

Representatives of the Reserve Bank have participated in a number of Defense meetings.

Assistance was rendered to a bank in obtaining a change in a contract of a prospective borrower to contain the "no set off" clause.

Several concerns were aided in contacting prime contractors with a view to obtaining subcontracts.

Some unfavorable comment was heard because of the delay in appointing the District Coordinator, District Manager, and staff, after the announcement was made; also, because of the delay in furnishing to the Reserve Bank forms for making application for priority rating after announcement was made that the forms were available there. Unfavorable comment has also been heard because of letters received by manufacturing concerns in the Eighth District from Government procurement officers in other parts of the country stating that the District Coordinator and his staff could be contacted at the local Federal Reserve Bank.

Upon the request of the branch of another Federal Reserve Bank, acting on behalf of an Ordnance Officer in the branch city, the Louisville Branch circularized its area for information regarding machine shops, tools, etc.

Minneapolis

Arrangements were made with a primary contractor for the sub-contracting of an estimated million dollars of work. Subsequent to making these arrangements office reports of 140 plants were surveyed by the Reserve Bank's staff, 90 of which were submitted to the primary contractor. The prime contractor selected 35 reports for closer inspection and designated three of them for the first effort. The results have been only moderately satisfactory. One concern found it necessary to postpone acceptance of the subcontract because of impending labor trouble. At the end of three days the material furnished the second subcontractor had not been touched because of a lack of machinists. The experience with the third subcontractor was entirely satisfactory. A large firm in Duluth is willing to subcontract all of the work that all of the machine shops in the Duluth territory can perform but there are not enough skilled men available to operate the machines all of the hours that they are now idle.

Copies of the National Association of Manufacturers' questionnaires returned to chambers of commerce in the larger cities in the district have been obtained and placed in the Reserve Bank's files. Since the N.A.M. form was found to be difficult to use rapidly the Reserve Bank has prepared a form for its own use.

The principal difficulty encountered during the month was lack of definite information regarding future operations. Textile manufacturers have continued to complain regarding the rigidity and complicated nature of specifications and inaccessibility of a sample of the item to be bid on. Other manufacturers continued to complain regarding the short interval between issuance of invitations and the opening of bids.

In connection with the record of cases handled by the Board's staff that accompanies the monthly report to the Board, it would be helpful if the answers to the inquiries raised by the various Federal Reserve Banks were included.

Kansas City

Because of the changed procedure developed at the conference held in Washington on February 7, the activities of the Federal Reserve Bank of Kansas City during the month of February have been materially curtailed.

The Omaha Branch responded to an inquiry from the Board concerning the ability of two Omaha contracting firms to perform and finance a project in the District involving \$5,000,000.

The Oklahoma City Branch reports that there is still a lot of complaint from business men that they are unable to get anything definite from the different procurement offices and other Governmental agencies dealing in the Defense Program.

Dallas

During the month the Reserve Bank received and forwarded to Washington 199 "Facilities for Defense Supplies" forms.

Thirty-five personal interviews were held in connection with various phases of the Defense Program and, in addition, numerous inquiries were received over the telephone from banks and others.

During the month the Texas Bankers Association held four forum discussions on the subject "Financing the National Defense Program". These forums were conducted by a member of the Defense Loans Committee of the American Bankers Association and the Reserve Bank's representative.

San Francisco

Interest in the National Defense Program was stimulated somewhat by the publicity given to the establishment of the Defense Contract Service. The Pacific Coast office of the National Association of Manufacturers has made its facilities available to the Reserve Bank. Copies of reports of surveys of plant facilities made by several of the larger chambers of commerce in California have been forwarded to the Reserve Bank as well as a report of survey of 300 machine shops in Utah which was made available by the Utah Manufacturers Association.

Owners of many small machine shops have expressed an interest in obtaining subcontracts and as a preliminary step have furnished the Reserve Bank with descriptions of their facilities.

Representatives of the Reserve Bank attended six meetings held to discuss Defense activities.

As a result of a request from a local procurement officer, the Reserve Bank was instrumental in arranging through a bank for the financing of a small (\$12,500) contract in which time was a factor.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

139

R-805

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 19, 1941

Dear Sir:

There have been mailed to the Defense Contract Officer at your Head Office today ten copies of the March 19, 1941 Press Release of the Division of Priorities, Office of Production Management, relating to the Priorities System.

There will be forwarded to you a supply of revised application forms, to be used in requesting preference ratings as soon as they are made available to us by the Office of Production Management.

Five copies of the Press Release are being sent to the Defense Contract Officer at each of your Branches, if any.

Very truly yours,

Ernest G. Draper
Ernest G. Draper.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS
COPY TO FIELD REPRESENTATIVES

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-806



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 21, 1941

Dear Sir:

There have been forwarded today to the Defense Contract Officer at your Head Office two copies of a letter, dated March 19, from Mr. E. V. Russ, Assistant Secretary, Priorities Division, Office of Production Management, explaining the use of the various forms, which have been revised by the Priorities Division of the Office of Production Management, together with two sample sets of each of the forms referred to and ten copies of revised Circular Number 2.

Preference Rating Certificates, Forms PD-2, PD-3, PD-4, and PD-5, when executed are effective legal instruments, and the Director of Priorities is making them available for your information but not for distribution.

One copy of the letter, one sample set of the forms, and three copies of revised Circular Number 2 have been forwarded to the Defense Contract Officer at each of your branches, if any.

Very truly yours,

A handwritten signature in cursive script that reads "Ernest G. Draper".

Ernest G. Draper.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS
COPY TO FEDERAL RESERVE DEFENSE CONTRACT OFFICERS
(Documents to Federal Reserve Defense Contract Officers only)



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

141

R-807

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 21, 1941

Dear Sir:

There are enclosed for your information a table showing applications for membership received by the Board during 1941, and a statement containing excerpts from the bank relations reports submitted by the Federal Reserve Banks for the month of February.

Very truly yours,

Chester Morrill

Chester Morrill,
Secretary.

Enclosures

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

BANKS ELIGIBLE* FOR FEDERAL RESERVE MEMBERSHIP ON DECEMBER 31,
1939, AND BANKS WHICH APPLIED FOR MEMBERSHIP DURING 1941

Federal Reserve District	Number of Nonmember Commercial Banks Eligible* for Federal Reserve Membership on December 31, 1939		Number of Banks Which Applied for Federal Reserve Membership During--		Deposits of Nonmember Commercial Banks Eligible* for Federal Reserve Membership on December 31, 1939		Deposits of Banks Which Applied for Federal Reserve Membership During--	
	Total	On Par List	February	This Year	Total	On Par List	February	This Year
	(In thousands of dollars)							
Boston	141	141	0	0	469,330	469,330	0	0
New York	224	224	6	11	981,529	981,529	22,900	31,000
Philadelphia	225	225	0	1	550,836	550,836	0	1,700
Cleveland	475	474	2	2	577,670	577,367	700	700
Richmond	394	232	1	3	481,555	396,447	500	1,200
Atlanta	484	52	0	0	302,655	70,987	0	0
Chicago	1,219	1,079	7	12	1,114,286	1,054,464	8,400	10,700
St. Louis	664	434	2	4	428,385	309,111	1,000	1,800
Minneapolis	420	78	0	0	189,225	53,439	0	0
Kansas City	487	402	0	0	198,993	178,372	0	0
Dallas	282	174	0	0	154,549	110,025	0	0
San Francisco	194	182	0	0	545,398	541,768	0	0
Total	5,209	3,697	18	33	5,994,411	5,293,675	33,500	47,100

* By eligible banks is meant banks with sufficient capital stock to meet the minimum statutory capital requirements for Federal Reserve membership

R-807-b
March 21, 1941
Not for Publication

EXCERPTS FROM BANK RELATIONS REPORTS
FOR THE MONTH OF FEBRUARY 1941

BOSTON

At all points visited where mills, factories, and machine shops are located, pay rolls and employment were increasing and retail trade was said to be good.

NEW YORK

Officers of the commercial as well as the savings banks in Middlesex County, New Jersey, believe that many of their savings depositors will subscribe to the forthcoming issues of defense bonds in order to take advantage of an investment that will give a higher return than the maximum rate of 1 per cent now being paid on savings accounts. The commercial bankers also say that they will welcome the opportunity of purchasing sizable blocks of the future defense issues at par, several indicating that their institutions will have tax exemption for many months to come and that the new taxable securities will therefore produce a higher income.

Although there has been considerable increase in industrial activity in this county in the production of goods for both military and civilian uses, the banks have had very little demand for regular commercial loans or for defense financing. It is said that most of the large concerns in this area have New York City offices and obtain their credit needs from Manhattan banks.

PHILADELPHIA

The area covered by this report comprises 3 counties in northern Pennsylvania, with a population of 359,700, served by 25 member banks with resources of \$155,541,000 and 13 nonmember banks with resources of \$32,484,000. Anthracite mining, dairy farming, railroad operations, and manufacturing provide the principal sources of income.

Conditions in this area are somewhat better as far as the farmer is concerned for prices for dairy and orchard products were better in 1940 than in 1939. There has also been an improvement in anthracite mining operations, although the total pay roll of this industry is considerably below what it was about fifteen years ago, when the mines were at the zenith of their prosperity. Since that time,

labor troubles and higher costs of production have resulted in a wider use of other fuels, with the result that this area has experienced widespread unemployment for years. The manufacturing and other large establishments in this section are busy, but defense work has, thus far, been confined to subcontracts.

Several bankers complained that there should be more defense work in this area, stating that there was ample man-power and factory buildings, but admitting a shortage of mechanical equipment and management to bring the business to the plants. Local Chambers of Commerce are striving now to bring new concerns into this area to utilize some of the idle labor, advertising the fact that labor conditions are now much more settled than in the past.

Demand for credit is strong, but is chiefly for small amounts and, because of poor economic conditions in recent years, great care is exercised in the selection of risks. FHA mortgages are being considered for investment, but the bankers prefer not to place any on local properties.

CLEVELAND

A number of banks in the Cincinnati area have sold substantial amounts of long-term United States securities.

Competition of building and loan associations is keen and there is some evidence that bankers in this area, which has always been a high rate section, are beginning to realize that in present conditions a 6-8 per cent rate can no longer be maintained.

Within the last few days we have had an unusual demand for currency of the \$1,000 denomination. One small bank requesting \$20,000 of such currency stated, upon inquiry, that it was to pay off a large savings depositor whom they had offered to pay in 50's and 100's but who insisted on bills of the larger denomination. It was stated that a rumor had been going around in that vicinity to the effect that the Government was going to obtain from all banks a report of the amounts individuals had on deposit, and that subsequently they would tax such depositors 2 per cent of the amount on deposit. While the basis of any such rumor has not been discovered, we are wondering if it might not possibly be the result of a loose interpretation by newspapers and other agencies of the announced Treasury program of financing a substantial part of the defense program out of savings.

RICHMOND

Maryland

Baltimore industries will hire more than thirty-five thousand additional skilled and semiskilled workers this year, according to well-informed estimators.

Delivery of materials and supplies necessary for the defense programs at Maryland's five major military posts has greatly increased rail traffic. It is necessary to move 2,320 cars into the five posts each month, as compared to an average of only 400 cars last winter. Most of the traffic at the present time consists of construction supplies, such as, lumber, steel, cement, sand, etc.

Virginia

The first project of the U. S. Housing Administration now under way in Richmond is a slum-clearance project for colored people that will cost \$3,191,000. Philip Morris & Company will rebuild the old United States Tobacco Company plant in Richmond. Heavy increases in cigarette demand has caused the company to expand further here. This company has recently made large purchases of English-made cigarette manufacturing machinery, as well as some American machinery.

Newport News Shipbuilding and Dry Dock Company has 21 ships under construction, including 13 naval vessels and 8 merchant ships. The naval construction includes 1 battleship, 8 aircraft carriers, and 4 cruisers. Appropriations for the Williamsburg restoration agencies for 1941 amount to \$3,300,000, to be divided approximately equally between capital outlay and operating expenses.

West Virginia

The Westinghouse Electric and Manufacturing Company will build a \$3,000,000 plant near Fairmont, West Virginia, to fill the lighting needs of new industrial plants working for national defense. Between 800 and 1,000 persons, mostly women, will be employed in the manufacture of fluorescent lamps after operations are started. The plant is expected to begin production by July, and will be the largest of its kind in the world.

North Carolina

Sixty-one new industries and ninety-one additions to existing plants were established in North Carolina in 1940. Seventeen new hosiery mills were established, and additions were made to twenty-three others. This is the third straight year in which hosiery mills

have led the establishment of new "industries". The textile industry as a whole accounts for thirty-one of the new plants and sixty-seven of the additions. Together, new plants and additions accounted for approximately \$10,000,000 in contracts for industrial construction, exclusive of equipment. Furthermore, they provided jobs for 10,000 persons, and are estimated to have added \$8,500,000 to the State's annual pay roll.

South Carolina

Manufacturing industries in South Carolina in the fiscal year 1939-1940 showed a gain in new investment of \$13,449,000, or 3.4 per cent. Of this gain, \$5,780,000, or 43 per cent, was accounted for by the cotton textile industry.

South Carolina will have to import cotton for the first time this year to meet the requirements of her mills. The crop this year is estimated at around 1,000,000 bales, while the mills will consume about 1,500,000 bales.

ATLANTA

Officers and representatives of the head office and branches attended 10 national defense meetings sponsored by State banking associations and civic groups and at each an officer of the Bank described the functions of the Federal Reserve System in the defense program, particularly with regard to defense loans.

A number of large textile plants in the eastern central area are now operating full time on a three-shift basis.

At Pascagoula in Mississippi, a large ship building plant is now engaged in the construction of a number of ships for the Maritime Commission. The company is presently building four ships at a cost of \$2,800,000 each and has employed 2,200 people in its plant. It is further understood that this same company will, within the near future, begin construction of four additional ships at a cost of fifty million dollars in the aggregate. A housing project is under way at Pascagoula at a cost of \$2,500,000. In addition to this project many houses are being constructed by private citizens for rental purposes.

CHICAGO

An application for membership has been received from the largest nonmember bank in the Seventh Federal Reserve District.

The month of February saw a further mounting of backlogs in the steel industry and continued lengthening of delivery dates. Except for mechanical difficulties, the rate of ingot operations in the Chicago area has continued close to capacity. Demand has been active for all products without exception, even including tin plate which at this season of the year is generally not heavily demanded. Automotive and railroad buying has been especially strong. Railroads are putting pressure on the mills for deliveries of plates for their new car-building programs; the demand by automobile manufacturers has been extremely heavy for sheets and strip. The automobile industry itself continues to maintain volume operations, and stocks of new cars at dealers continue to grow. It is reported that sales of new cars have been excellent.

ST. LOUIS

Agricultural Conditions

In Tennessee, higher prices have resulted in heavy shipments of meat animals to market in recent months. Newburn is one of the largest mule markets in the State, and is experiencing activity due to demand for draft animals created by the defense program. Outlook for the fruit crops this year is favorable. Strawberry acreage has been considerably increased.

In Illinois counties visited, the season to mid-February has been favorable for fall sown grains, and present outlook for winter wheat is mainly excellent. Prospects for peaches are also very promising. Orchards have come through the winter in prime condition.

The Kentucky area covered is important agriculturally. Largest revenues are derived from production of tobacco and the livestock industry. The 1940 tobacco crop was larger than expected, and included some excellent leaf. However, prices realized were disappointing. Markets for the 1940 crop have just closed. Prices at the opening sessions were satisfactory, but receded sharply as the season progressed. For example, the burley average ranged downward from \$17.71 per cwt. during the first week to \$12.13 in the week ended February 7. Average for the session on this type was \$15.85, or \$1.86 per cwt. less than average on the 1939 crop.

Banking Conditions

Demand for credit showed improvement through 1940, particularly during the last quarter. There has been a good demand for small personal loans. Expansion was reported in requirements for carrying

livestock. Incidentally several bankers expressed concern relative to the future of the livestock market should this country enter the war.

One Louisville bank, which has made an extensive survey of industrial concerns in its trade area and furnishes complete data to customers on all Government contracts awarded, reports a fair amount of credit extended for defense program purposes. However, but few loans have been made that were based on assignment of claims against the Government.

MINNEAPOLIS

At the request of the Chippewa Valley Bond Club, a group of bankers who meet monthly for the purpose of reviewing their bank holdings of securities, one of our officers started a series of three lectures interpreting the Federal Reserve combined statement and discussing with the members of the club the factors that supply and use Reserve funds.

The general soil moisture situation in the district, especially in the Dakotas, is favorable. In general, the Northwest is in the finest condition agriculturally that it has been in a decade or more, for not only has there been an adequate supply of moisture last fall, but heavy snowfalls have been experienced in most sections during the winter. Feed supplies, both grain and roughage, are abundant, and livestock populations are at optimum levels. Because of the mild, wet fall, cash crop raising areas were able to complete as large or a larger portion of fall field work than usual. Fall sown rye and wheat are in excellent condition. These favorable conditions, together with the good 1940 crop of grains, as well as livestock, are being translated into higher business volumes for this area.

General business conditions may be said to be the best since 1929 or 1930. Retail trade during February was at the highest level for the month since 1929 and was running about 10 per cent above one year earlier. Building, especially residential, was in substantially greater volume than a year ago, and the volume of manufacturing production, although a very small part of our total business picture, was from 8 to 10 per cent above the same period for 1940.

KANSAS CITY

Some unfavorable comment was heard among bankers concerning what seemed to them a sudden scrapping of the information they had prepared with considerable effort in response to the defense questionnaire.

A good deal of interest has been found in the new setup announced more than a month ago designed to help small business firms make contact with defense work and to inform banks how they can help finance it. In the meantime a month has passed with few developments and there is a tendency to wait and see what comes out of it.

Some tendency was found among banks to shift from longer to shorter-term Governments. There is some feeling that the price of long-term bonds has passed its crest. This fact, together with the prospect of an increase in the demand for loans, is an important factor in causing a shift to shorter maturities.

Bankers are doing considerable wondering about the wheat situation. The almost complete blockade of Europe since last summer has greatly restricted foreign outlets and, with the growing difficulty of Great Britain in establishing funds in this country to buy urgently needed war materials, it seems probable that country will supply her needs from the large surplus wheat supplies of Canada and elsewhere. In the past, wars have almost invariably been stimulating to wheat prices but the feeling is growing that the reverse is true this time.

Bankers are also greatly concerned as to how the 1941 wheat crop will be handled. Virtually all available storage capacity is now utilized by Government stocks. There is every indication now that the crop will be a large one.

Many comments by bankers in the southeastern section of Kansas and the western part of Missouri were heard regarding the improved situation in the coal mines. Railroads and chemical companies contracted for coal with the result that operations have been much steadier than usual, even though the winter has been a mild one. This part of the District is also interested in recent lead and zinc developments, Oklahoma being the largest producer of zinc and Missouri of lead. The very important part zinc is playing in the defense program has developed a critical situation and attention is already being given to methods of minimizing competitive bidding and runaway prices for this metal. A very different situation has existed in regard to lead as the war cut off markets of foreign producers and those dammed-up foreign stocks have been overhanging the domestic lead market.

DALLAS

The demand for bank credit in the agricultural region in the north central section of Texas is moderately heavier than it was a year ago, which means that most of the banks have enough sound applications for credit to absorb practically all of their loanable

funds. As a result, earnings this year will be quite satisfactory in most cases.

The livestock and oil-producing counties of West Texas are semi-arid, but this winter has been exceptionally mild with considerably more than normal moisture, and the ranges are in first-class shape. As a consequence, cattle are in excellent condition, and with present high prices, the raisers are all in funds and have paid off most of their bank indebtedness. Contracts are already being made for spring calves at prices ranging from ten to thirteen cents a pound, and cows with calves are bringing \$75.

Sheep men also have prospered with wool from 35 to 38 cents and top prices for lambs. Mohair brings 45 cents. Because of the two-way profit, through increase and clip, cattle in this locality are being rapidly replaced with sheep and goats.

While oil activity was less last year than it was a few years earlier, several new fields in the vicinity of Monahans have been opened recently and considerable development is now in progress. Some of this oil is a higher grade than in the older fields, but the pool is from 7,000 to 9,000 feet below the surface, which makes drilling too expensive for independent operators, and the work is being done by the larger companies.

All the banks visited are making good earnings and seemed entirely satisfied with present conditions. However, apprehension is felt concerning the outcome of the war, and it is the general opinion that this country is going to have very bad conditions regardless of who wins. Most of them think that England's chance of winning is not particularly good.

SAN FRANCISCO

For some time past flax has been grown for fiber in the Willamette Valley, Oregon. The amount grown is limited to the tonnage which present processing plants can handle. There are four such plants and a movement is on foot to build a new one of 2,000 tons capacity. The projected plant is in a district which produces flax fiber about 3 feet long, which is rated as the best flax fiber grown in the United States.

Because venture capital is timid, financing of the new plant has bogged down. However, the people of the community proposing the new plant are now going to approach the bank for cooperatives to see

if the setup can be made one which they can finance. The growing of flax for fiber can be greatly increased in the future if a way is found of building the processing plants.

It is interesting to note that when land is used for flax growing there must be a rotation of crops for five years before it is again ready to produce flax. Having been grown for several years past, the crop is now well enough understood so that others will not hesitate to go into it.

It is hoped that this activity can supply some of the shortages in fiber due to upset world trade conditions.

PUBLIC RELATIONS ACTIVITIES OF FEDERAL RESERVE BANKS

February 1941

Federal Reserve Bank	Visits to Banks			Meetings Attended		Addresses Made	
	Member	Nonmember	Total	Number	Attendance	Number	Attendance
Boston	24	3	27	3	<u>1/</u>	1	75
New York	62	35	97	7	5,670	2	320
Philadelphia	38	27	65	7	2,625	7	2,625
Cleveland	23	11	34	4	2,785	5	361
Richmond	11	9	20	10	4,628	2	90
Atlanta	19	13	32	4	485	10	732
Chicago	12	17	29	5	1,245	3	260
St. Louis	38	113	151	5	700	1	80
Minneapolis	13	6	19	7	2,278	19	1,580
Kansas City	9	12	21	6	680	3	290
Dallas	56	14	70	7	4,350	4	2,300
San Francisco	10	8	18	11	810	2	120

1/ Not reported.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-808

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

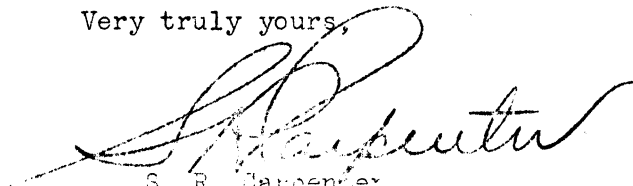
March 22, 1941

CONFIDENTIAL

Dear Sir:

There is attached for your information a copy of a memorandum (B-1253) prepared for the Board's use summarizing the information furnished by the Federal Reserve Banks in response to letter R-766 of January 11, 1941 covering the reserve position of individual member banks during the week ended January 15, 1941. This information has not been made public by the Board.

Very truly yours,



S. R. Carpenter,
Assistant Secretary.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS
(Enclosures with addressed copies only)

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 25, 1941



Dear Sir:

There have been forwarded to you today under separate cover the indicated number of copies of the following forms, a copy of each of which is attached hereto, for the use of State bank members and their affiliates in submitting reports as of the next call date:

Number of
copies

Form F.R. 105 (Call 86, Short form), Report of condition of State bank member.

Form F.R. 105b (Revised August 1939), Loans and advances to affiliates and investments in and loans secured by obligations of affiliates.

Form F. R. 105e (Call 86), Publisher's copy of report of condition of State bank member.

Form F. R. 220 (Revised August 1935), Report of affiliate or holding company affiliate.

Form F. R. 220a (Revised December 1938), Publisher's copy of report of affiliate or holding company affiliate.

Form F. R. 220b (Revised February 1938), Instructions for preparation of reports of affiliates and holding company affiliates.

No change has been made since the last call for reports in any of the forms listed above.

Very truly yours,

Chester Morrill

Chester Morrill,
Secretary.

Enclosures 6

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 25, 1941



Dear Sir:

There have been forwarded today to the Defense Contract Officer at your Head Office 10 copies of a bulletin, "Financing Defense Plants and Facilities", prepared by Mr. Charles S. Garland, Financial Section, Defense Contract Service, Office of Production Management.

Five copies have been forwarded to the Defense Contract Officer at each of your branches, if any.

Very truly yours,

A handwritten signature in cursive script that reads "Ernest G. Draper". The signature is written in dark ink and is positioned above the typed name.

Ernest G. Draper.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS
COPY TO FEDERAL RESERVE DEFENSE CONTRACT OFFICERS
(Documents to Federal Reserve Defense Contract Officers only)

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 25, 1941

Dear Sir:

There is enclosed for your information a copy of the Board's Functional Expense Exhibit for the second half of 1940, which has been compiled from the semi-annual functional expense reports (Form E) received from the Federal Reserve Banks and branches. Additional copies are being forwarded under separate cover.

Very truly yours,

A handwritten signature in cursive script, appearing to read "E. L. Smead".

E. L. Smead, Chief,
Division of Bank Operations.

Enclosure.

TO THE CHAIRMEN AND PRESIDENTS OF ALL FEDERAL RESERVE BANKS
(Enclosures with addressed copies only)

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-812



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 27, 1941

Dear Sir:

There have been forwarded today to the Defense Contract Officer at your Head Office five copies of a supplemental listing, showing "Major Defense Contracts Awarded by the War and Navy Departments during the Month of February, 1941".

Two copies have been forwarded to the Defense Contract Officer at each of your branches, if any.

Very truly yours,

A handwritten signature in cursive script that reads "Ernest G. Draper".

Ernest G. Draper.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS
COPY TO FEDERAL RESERVE DEFENSE CONTRACT OFFICERS
(Documents to Federal Reserve Defense Contract Officers only)

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 28, 1941

Dear Sir:

There is enclosed for your information, a copy of a letter from the Honorable D. W. Bell, Undersecretary of the Treasury, dated March 20, 1941, transmitting a copy of a report dated March 6, 1941, by the Chief, Division of Public Debt Accounts and Audit, of an audit of the completed stocks of unissued Federal Reserve notes and Federal Reserve bank notes charged to the Federal Reserve vault in the Bureau of Engraving and Printing.

In his report, Mr. Loanman states that the amounts of Federal Reserve notes and Federal Reserve bank notes on hand, \$2,813,100,000 of 1928 Series and \$2,947,500,000 of 1934 Series Federal Reserve notes and \$450,800,000 of Federal Reserve bank notes, were in agreement with the records of the Federal Reserve Issue and Redemption Division of the Comptroller's Office. Copies of detailed statements "A", "B" and "C" which accompany Mr. Loanman's letter are also enclosed.

Very truly yours,

A handwritten signature in cursive script that reads "J. R. Van Fossen".

J. R. Van Fossen, Assistant Chief,
Division of Bank Operations.

Enclosures 5

TO ALL FEDERAL RESERVE AGENTS

C O P Y

R-813a

THE UNDER SECRETARY OF THE TREASURY

WASHINGTON

March 20, 1941

Mr. Chester Morrill,
Secretary,
Board of Governors of the
Federal Reserve System,
Washington, D. C.

Dear Mr. Morrill:

There is enclosed for your information a copy of a report dated March 6, 1941, by the Chief, Division of Public Debt Accounts and Audit, relative to the audit of the completed stocks of unissued Federal Reserve notes and Federal Reserve Bank notes charged to the Federal Reserve Vault in the Bureau of Engraving.

Very truly yours,

(Signed) D. W. Bell

Under Secretary of the Treasury.

Enclosure

C O P Y

March 6, 1941

The Honorable

The Secretary of the Treasury.

Sir:

An audit has been made of the completed stocks of unissued Federal Reserve notes and Federal Reserve Bank notes charged to the Federal Reserve Vault in the Bureau of Engraving and Printing. The audit was begun February 17 and completed February 18, 1941, as of the close of business February 14, 1941.

The following tabulation reflects the amounts as disclosed by the audit:

Under auditor's seal in Vault No. 1, Treasury Building:	
Federal Reserve notes (Series 1928)	\$2,813,100,000
Federal Reserve Bank notes (Series 1929)	450,800,000
	<u>3,263,900,000</u>
On hand in Federal Reserve Vault, Bureau of	
Engraving and Printing:	
Federal Reserve notes (Series 1934)	2,947,500,000
	<u>2,947,500,000</u>
Total	\$6,211,400,000

The above balance, comprising 87,204 packages, was in agreement with the records of the Federal Reserve Vault and those of the Division of Public Debt Accounts and Audit and with the statement submitted by the Federal Reserve Issue and Redemption Division of the Office of the Comptroller of the Currency. Detailed information with respect to each of the classes of currency is reflected in the attached statements, "A", "B", and "C", respectively.

The entire balance of Federal Reserve notes (Series 1928) and Federal Reserve Bank notes (Series 1929) have been under the auditor's seal since 1937 at which time they were package counted and the seals inspected and no further inspection was made in connection with this audit except to inspect the seal on the compartment in Vault No. 1.

The entire stock of Federal Reserve notes (Series 1934) consists of sealed packages bearing the seal of the Bureau of Engraving and Printing and is under the joint custody of representatives of the Secretary of the Treasury and the Bureau of Engraving and Printing. It was, therefore, not considered necessary to break the seals on the packages in making the verification but the brief on each package was examined with respect to the package number, serial numbers of the notes, bank, and denomination. The packages were found in orderly arrangement and grouped in such manner as to permit the auditors to accomplish the verification without delay.

Prior to beginning the audit, the Chief of the Secret Service was notified and a representative of his office was present on February 17 and 18, 1941.

Appreciation is extended to the officials of the Bureau of Engraving and Printing and the representatives at the Federal Reserve Vault for the cooperation and assistance rendered during the conduct of the audit.

Respectfully submitted:

(Signed) M. R. Loafman.

Chief, Division of Public Debt Accounts and Audit

STATEMENT "A"

R-813c

FEDERAL RESERVE NOTES (SERIES 1928) ON HAND IN THE FEDERAL RESERVE VAULT
IN THE BUREAU OF ENGRAVING AND PRINTING, * AS DISCLOSED BY AUDIT
AS OF FEBRUARY 14, 1941
(IN THOUSANDS OF DOLLARS)

BANK	5's	10's	20's	50's	100's	500's	1,000's	5,000's	10,000's	TOTAL
Boston.....	\$ 47,880	\$.....	\$46,560	\$ 50,400	\$ 50,400	\$ 30,000	\$ 30,000	\$ 2,000	\$.....	\$ 257,240
New York	87,560	.....	25,200	30,000	87,600	64,800	54,400	.....	6,000	355,560
Philadelphia...	36,780	15,160	50,320	75,000	78,000	42,000	50,400	.....	.....	347,660
Cleveland	37,040	19,120	107,440	41,400	28,400	39,300	31,600	6,000	.....	310,300
Richmond	22,340	.....	.....	41,600	27,200	28,500	21,000	9,000	10,000	159,640
Atlanta	6,760	9,520	36,720	23,200	20,000	19,600	16,400	4,000	9,320	145,520
Chicago	65,280	.....	114,000	88,200	96,800	108,900	135,200	16,000	20,000	644,380
St. Louis .....	.....	.....	8,480	19,200	24,800	18,400	16,200	.....	.....	87,080
Minneapolis ...	7,180	2,200	34,080	12,000	22,400	13,300	13,000	.....	.....	104,160
Kansas City ...	27,640	.....	26,720	22,600	26,000	25,500	23,600	.....	.....	152,060
Dallas	7,760	9,240	22,640	22,600	20,000	24,600	23,400	1,000	2,000	133,240
San Francisco .	12,260	.....	13,440	11,800	26,400	21,600	17,200	3,720	9,840	116,260
TOTAL	\$358,480	\$55,240	\$435,600	\$438,000	\$508,000	\$436,500	\$432,400	\$41,720	\$57,160	\$2,813,100

*These notes are in Vault No. 1, Main Treasury Building, under auditor's seal.

STATEMENT "B"

R-813d

FEDERAL RESERVE NOTES (SERIES 1934) ON HAND IN THE FEDERAL RESERVE VAULT
IN THE BUREAU OF ENGRAVING AND PRINTING, AS DISCLOSED BY AUDIT
AS OF FEBRUARY 14, 1941
(IN THOUSANDS OF DOLLARS)

BANK	5's	10's	20's	50's	100's	500's	1,000's	5,000's	10,000's	Total
Boston	\$ 25,200	\$ 77,640	\$ 49,120	\$ 16,600	\$ 42,400	\$ 10,000	\$ 10,200	\$12,000	\$14,000	\$ 257,160
New York	29,980	192,120	103,040	70,800	199,200	39,600	26,600	11,000	26,000	698,340
Philadelphia ...	27,600	54,840	60,560	38,600	42,800	3,200	1,800	3,000	6,000	238,400
Cleveland	11,000	45,960	80,160	31,000	17,600	1,100	7,200	4,000	8,000	206,020
Richmond	16,960	9,000	46,160	18,200	21,600	7,700	2,400	5,000	.....	127,020
Atlanta	8,260	4,360	16,240	4,000	16,000	5,700	4,600	5,000	4,000	68,160
Chicago	36,660	164,360	206,640	63,200	123,200	16,200	40,400	6,000	6,000	662,660
St. Louis	33,140	22,280	29,840	7,600	27,200	4,600	2,800	4,000	2,000	133,460
Minneapolis	19,600	40,400	48,480	3,000	11,600	2,700	800	.....	.....	126,580
Kansas City	11,380	27,120	40,880	5,600	22,000	1,900	6,600	6,000	4,000	125,480
Dallas	4,000	11,720	11,280	800	8,800	6,600	5,200	5,000	4,000	57,400
San Francisco ..	36,920	39,800	73,600	11,000	34,400	10,500	15,600	11,000	14,000	246,820
TOTAL	\$260,700	\$689,600	\$766,000	\$270,400	\$566,800	\$109,800	\$124,200	\$72,000	\$88,000	\$2,947,500

STATEMENT "C"

FEDERAL RESERVE BANK NOTES (SERIES 1929) ON HAND IN THE FEDERAL RESERVE VAULT
IN THE BUREAU OF ENGRAVING AND PRINTING,* AS DISCLOSED BY AUDIT
AS OF FEBRUARY 14, 1941
(IN THOUSANDS OF DOLLARS)

BANK	5's	10's	20's	50's	100's	TOTAL
Boston	\$5,020	5,000	\$5,040	\$.....	\$.....	\$15,060
New York	860	27,320	18,000	6,600	22,800	75,580
Philadelphia	4,100	3,800	13,840	.....	.....	21,740
Cleveland	10,020	10,080	1,520	23,800	23,600	69,020
Richmond .....	.....	10,840	21,600	.....	15,600	48,040
Atlanta	5,040	5,880	15,520	.....	.....	26,440
Chicago	19,380	23,440	24,720	15,000	10,800	93,340
St. Louis .....	.....	2,120	5,040	.....	.....	7,160
Minneapolis .....	.....	1,880	11,280	6,600	14,400	34,160
Kansas City	9,020	2,840	7,120	12,800	8,400	40,180
Dallas .....	.....	.....	1,680	1,200	1,200	4,080
San Francisco .....	.....	4,800	.....	11,200	.....	16,000
TOTAL	\$53,440	\$98,000	\$125,360	\$77,200	\$96,800	\$450,800

*These notes are in Vault No. 1, Main Treasury Building, under auditor's seal.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

164

R-814

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 3, 1941.

Dear Sir:

There has been forwarded today to the Defense Contract Officer at your Head Office and each branch, if any, one copy of the restricted Army and Navy Munitions Board "Alphabetical Directory of Industrial Facilities, 1941".

This Directory was referred to by Mr. Robert L. Mehornay at the meeting of the Presidents of the Federal Reserve Banks with representatives of the Board of Governors and the Defense Contract Service on February 7, 1941.

Very truly yours,

Ernest G. Draper.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS
COPY TO FEDERAL RESERVE DEFENSE CONTRACT OFFICERS
(Document to Federal Reserve Defense Contract Officers only)

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 7, 1941

Dear Sir:

It has been brought to our attention that the cost per unit of handling City Collection items at the Little Rock Branch, as shown on page 93 of the Board's functional expense exhibit for the second half of 1940, should be 3.7 cents instead of 37.1 cents. It will be appreciated if you will have this correction made in the copies of the functional expense exhibit forwarded to your Bank.

Very truly yours,

A handwritten signature in cursive script, appearing to read "E. L. Smead".

E. L. Smead, Chief,
Division of Bank Operations.

TO THE CHAIRMEN AND PRESIDENTS OF ALL FEDERAL
RESERVE BANKS, EXCEPT ST. LOUIS



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

166

R-816

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 7, 1941

Dear Sir:

Referring to the Board's letter R-765 of January 11, 1941, the following changes took place during March in the list of nonmember banks that have in force agreements with the Board pursuant to the provisions of Section 8(a) of the Securities Exchange Act of 1934:

Deletions

New York

Auburn

Auburn Trust Company
(Admitted to Federal Reserve membership on March 22, 1941)

New York City

Heidelbach, Ickelheimer & Co.
(Absorbed by The Commercial National Bank and Trust Company, New York City, on March 14, 1941)

Very truly yours,

L. P. Bethea,
Assistant Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

167

R-817

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 8, 1941

Dear Sir:

There is enclosed for your information a copy of a letter, dated March 24, 1941, to Mr. J. S. Sinclair, Chairman, Conference of Presidents, regarding the methods used by the Federal Reserve Banks in calculating overtime payments for employees subject to the provisions of the Fair Labor Standards Act of 1938.

Very truly yours,

A handwritten signature in cursive script, appearing to read "L. P. Bethea".

L. P. Bethea,
Assistant Secretary.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

March 24, 1941

Mr. J. S. Sinclair, Chairman,
Conference of Presidents,
Federal Reserve Bank of Philadelphia,
Philadelphia, Pennsylvania.

Dear Mr. Sinclair:

We wish to bring to your attention the matter of the methods used by the Federal Reserve Banks in calculating overtime payments for employees subject to the provisions of the Fair Labor Standards Act of 1938.

As you know, the methods now being employed by the Federal Reserve Banks for this purpose are not uniform. The Board is advised that at six of the banks at least the method used in calculating overtime payments is based upon the assumption that the employee works a regular number of hours and accordingly the payment is at a fixed hourly rate based on the employee's salary. Although the Board's information as to the operation of this method is not specific, it is understood that in such cases, where the regular number of hours worked is 40, for example, the hourly rate is determined by dividing the weekly salary by 40, and one and one-half times the hourly rate thus arrived at is paid for each hour of overtime. At another Federal Reserve Bank, however, in accordance with Interpretative Bulletin No. 4 of the Wage and Hour Division of the Department of Labor with regard to the calculation of overtime where there is a variable workweek, the hourly rate is computed by dividing the weekly wage by the total number of hours worked during the week. One Federal Reserve Bank determines the hourly rate by dividing the weekly wage by 40, even though the number of hours actually worked exceeds 40, and one-half of the resulting sum is paid for each hour of overtime. It is obvious that the last two methods described are less favorable to the employees than the one first mentioned above.

You will recall that this matter was considered at the Presidents' Conference held on September 27-28, 1940. The tentative draft of the minutes of the meeting indicated that the Conference was of the opinion that all Federal Reserve Banks should have a uniform basis for determining the rate at which overtime payments are made, that a ruling as to the use of a "variable workweek" basis by the Federal Reserve Banks should be obtained from the office of the Administrator of the Wage and Hour Division, and that all Federal Reserve Banks should be guided by such ruling. Under date of October 24, 1940, however, the

Chairman of the Conference of Presidents addressed a letter to all other Reserve Bank Presidents with regard to this matter, in which he indicated the improbability of obtaining a ruling more favorable than that already in effect, and stated, among other things, that several of the banks had questioned the desirability of a uniform policy in respect to the matter and that it seemed preferable not to ask for a ruling that might impel uniformity. As a result of a suggestion in this letter, it was apparently agreed by the Presidents to change the minutes of the meeting so as to state an understanding that copies of a ruling of the New York Regional Director of the Wage and Hour Division on this subject would be sent to the members of the Conference so that each bank might determine whether or not it would use a variable workweek as the basis for computing overtime payments under the Fair Labor Standards Act of 1938.

In all the circumstances it is felt that the subject is one which deserves further consideration by the President's Conference, and it is suggested that on the occasion of the next meeting of the Conference it include on the agenda as one of the topics for consideration the desirability of a uniform practice with respect to the computation of overtime by the Federal Reserve Banks under the Fair Labor Standards Act of 1938, together with such other problems, if any, as may have arisen under the Act and appear to warrant consideration by the Conference.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 9, 1941

Dear Sir:

There has been forwarded today to the Defense Contract Officer at your Head Office and branches, if any, a letter, dated March 21, 1941, addressed "To All Producers, Fabricators, and Secondary Smelters of Aluminum" by Mr. E. R. Stettinius, Jr., Director of Priorities, Office of Production Management.

Attached to this letter is a copy of General Preference Order M-1, Preference Rating Schedule (Supplementary Order M-1-a), and a form to be used in reporting schedule of shipments of aluminum.

There also has been forwarded to the Defense Contract Officers a sample copy of the report form which has been furnished all producers, fabricators, and secondary smelters of aluminum, to be filed by all customers requesting aluminum for delivery after April 10.

Very truly yours,

A handwritten signature in cursive script that reads "Ernest G. Draper".

Ernest G. Draper.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS
COPY TO FEDERAL RESERVE DEFENSE CONTRACT OFFICERS
(Documents to Federal Reserve Defense Contract Officers only)

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-819

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



April 15, 1941

Dear Sir:

The Board of Governors of the Federal Reserve System is advised that beginning Monday, April 28, and ending Saturday, September 27, the following Federal Reserve Banks and branches will operate under daylight saving time.

Boston	Philadelphia
New York	Pittsburgh
Buffalo	Chicago

Please notify branches.

Very truly yours,

F. A. Nelson,
Assistant Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-820

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



April 15, 1941

Dear Sir:

There is enclosed a copy of a letter, dated April 7, 1941, which the Board has received from the Treasury Department, transmitting a copy of Report No. 230 of the House of Representatives, dated March 11, 1941, with respect to the destruction of certain Fiscal Agency records, and a form for reporting to the Treasury Archivist the disposition made of the records on the list.

Any questions regarding the disposition of the useless records should be taken up with the Treasury Department.

Very truly yours,

A handwritten signature in cursive script, appearing to read "S. R. Carpenter".

S. R. Carpenter,
Assistant Secretary.

Enclosures

(House of Representatives Report sent only
with addressed copies.)

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

TREASURY DEPARTMENT
Washington

April 7, 1941

AUTHORIZATION FOR THE DISPOSITION
OF USELESS RECORDS

TO Board of Governors of the
Federal Reserve System

Attention: Division of Bank Operations

Pursuant to the terms of the act of August 5, 1939, concerning the disposition of certain records of the United States Government, permission has been granted in House Report No. 230, 77th Congress, 1st Session, dated March 11, 1941, for the disposition of the records described in the following list of useless papers:

Federal Reserve Banks as Fiscal Agents -
October 10, 1940.

Under the terms of section 5 of the act of August 5, 1939, disposition may be made by one of the following methods:

- (a) By sale, upon the best obtainable terms after due publication of notice inviting proposals therefor;
- (b) By causing them to be destroyed;
- (c) By transfer (without cost to the United States Government) to any State or dependency of the United States of America or to any appropriate educational institution, library, museum, historical, research, or patriotic organization therein, that has made application *** therefor, through the Archivist of the United States.

You are hereby instructed to dispose of the records described in the list referred to above, by one of the methods indicated in the preceding paragraph. Records containing confidential information should not be disposed of by sale as waste paper unless their character as records has been destroyed, nor should they be transferred to another institution without the consent of the Administrative Assistant to the Secretary.

If records are to be transferred to another institution pursuant to an application received through the Archivist of the United States, arrangements for such transfer should be made through the Treasury Archivist.

If records are to be sold, a separate account should be kept of the cost of the sale and the amount of the purchase price received, and the moneys derived from the sale should be paid into the Treasury of the United States.

A report of the disposition of the records on the list indicated above should be made on the attached form in duplicate, and should be submitted to the Treasury Archivist not later than June 1, 1941.

(Signed) C. R. Schoeneman
Acting Administrative Assistant
to the Secretary

REPORT OF THE DISPOSITION OF USELESS RECORDS

To the Treasury Archivist:

The records described in the following list:

Federal Reserve Banks as Fiscal Agents -
October 10, 1940

approved for disposition by authority of House Report No. 230, 77th Congress, 1st Session, dated March 11, 1941, have been disposed of by the following method (except as indicated under the item "Remarks" below):

___ By sale:

Cost of sale:

Purchase Price:

___ By destruction: (Indicate manner of destruction)

___ By transfer to

(name of institution)

(post-office address)

Date of disposition:

Remarks:

Field Office Form

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-821

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



April 17, 1941

Dear Sir:

There is attached a copy of the report of expenses of the main lines of the Federal Reserve Leased Wire System for the month of March 1941.

Please credit the amount payable by your Bank to the Board, as shown in the last column of the statement, to the Federal Reserve Bank of Richmond in your daily statement of credits through the Interdistrict Settlement Fund for the account of the Board of Governors of the Federal Reserve System, and advise the Federal Reserve Bank of Richmond by mail the amount and purpose of the credit.

Very truly yours,

O. E. Foulk,
Fiscal Agent.

Enclosure

TO PRESIDENTS OF ALL FEDERAL RESERVE BANKS
EXCEPT RICHMOND

REPORT OF EXPENSES OF MAIN LINES OF FEDERAL RESERVE
LEASED WIRE SYSTEM FOR THE MONTH OF MARCH 1941

Federal Reserve Bank	Number of Words Sent	Words Sent by N. Y. Chargeable to Other F.R. Banks	Total Words Chargeable	Pro Rata Share of Total Expenses (1)	Expenses Paid by Banks and Board (2)	Payable to Board of Governors
Boston	31,870	470	32,340	\$ 514.29	\$ 315.18	\$ 199.11
New York	87,795	-	87,795	1,396.18	877.00	519.18
Philadelphia	23,748	472	24,220	385.16	250.57	134.59
Cleveland	41,513	472	41,985	667.67	251.70	415.97
Richmond	45,393	470	45,863	729.35	330.49	398.86
Atlanta	46,537	470	47,007	747.54	239.66	507.88
Chicago	77,579	515	78,094	1,241.90	1,332.62	90.72(a)
St. Louis	49,109	470	49,579	788.44	275.91	512.53
Minneapolis	23,522	470	23,992	381.54	185.06	196.48
Kansas City	44,392	470	44,862	713.43	273.01	440.42
Dallas	37,934	536	38,470	611.78	330.03	281.75
San Francisco	54,198	472	54,670	869.40	427.13	442.27
Board of Governors	411,561	-	411,561	6,544.93	10,503.25	-
Total	975,151	5,287	980,438	\$15,591.61	\$15,591.61	\$4,049.04 90.72(a) \$3,958.32

- (1) Based on cost per word (\$.015902698) for business handled during the month.
- (2) Payments by Banks are for personal services and supplies and payments by Board are for personal services and supplies (\$1,157.98) and wire rental (\$9,768.67) less amount (\$423.40) representing reimbursement for the cost of sending messages between the Washington office of the Leased Wire System and the local telegraph offices of the Treasury, Reconstruction Finance Corporation, and the Commodity Credit Corporation. Personal services include salaries of main line operators and of clerical help engaged in work on main line business, such as counting the number of words in messages; also overtime and supper money and Retirement System contributions at the current service rate.
- (a) Credit--Reimbursable to Chicago.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

STATEMENT FOR THE PRESS

For release in morning papers,
Saturday, April 19, 1941

The following summary of general business and financial conditions in the United States, based upon statistics for March and the first half of April, will appear in the May issue of the Federal Reserve Bulletin and in the monthly reviews of the Federal Reserve Banks.

Industrial activity increased further in March but declined somewhat in the first half of April owing to temporary reductions in output of bituminous coal and automobiles. Wholesale prices of many commodities advanced considerably and the Government took steps to limit price advances of some additional industrial materials.

Production

Volume of industrial output continued to increase in March and the Board's seasonally adjusted index rose from 141 to 143 per cent of the 1935-39 average. Activity increased further in most durable goods industries, particularly in those producing machinery, aircraft, ships, and armament. Steel production increased to about 100 per cent of rated capacity.

Automobile production, which usually increases considerably in March, showed little change from the high rate reached in February. In the first half of April output was reduced considerably owing to a shutdown at plants of the Ford Motor Company during an industrial dispute which was settled about the middle of the month. Retail sales of

new and used cars advanced to new peak levels in March and dealer's stocks at the beginning of April amounted to about a month's supply at the current rate of sales. Output of lumber, which had been sustained at unusually high levels during the winter months, rose less than seasonally.

Activity in the textile and shoe industries increased further in March. Cotton consumption rose to a record level of 854,000 bales and there was also an increase in rayon deliveries. At wool textile mills activity was sustained at the peak rate reached in February, not showing the usual large seasonal decline, and in the chemical and rubber industries further advances were reported.

Bituminous coal production rose considerably, while output of crude petroleum was maintained in March at about the rate that had prevailed in the four preceding months. In the first half of April coal production declined sharply, however, as most mines were closed pending conclusion of contract negotiations between mine operators and the miners' union. Production of nonferrous metals continued in large volume in March and deliveries of refined copper showed a sharp rise as domestic production was supplemented by supplies received from South America.

Construction contract awards rose sharply in March and were larger than in any month since the middle of 1930, according to the F. W. Dodge Corporation data. The rise was chiefly in awards for publicly-financed work, which had been reduced considerably in January and February, and in private nonresidential projects, particularly

factory construction. Awards for private residential building, which had been unusually large during the winter months, showed less than the customary seasonal rise in March.

Distribution

In March distribution of commodities to consumers was sustained at the high level reached in February. Sales at mail-order houses and department stores increased seasonally and variety store sales showed more than the usual seasonal rise.

Freight-car loadings increased by about the usual seasonal amount. Loadings of coal and grain rose considerably, while shipments of miscellaneous freight, which in previous months had risen steadily, on a seasonally adjusted basis, showed a smaller increase than is usual at this time of year.

Commodity prices

Prices of basic commodities continued to advance sharply from the middle of March to the middle of April. There were substantial increases in prices of domestic foodstuffs and further advances in burlap, cotton, rubber, and lead. Increases were also reported in wholesale prices of a number of manufactured products and the general index of the Bureau of Labor Statistics rose two points to 83 per cent of the 1926 average.

Informal action was taken by the Government to discourage price increases of some additional industrial materials and maximum price schedules were established for steel, bituminous coal, secondary and scrap aluminum and zinc, and iron and steel scrap. Sharp

reductions in prices of some kinds of nonferrous metal scrap resulted. Announcement of an expanded Federal purchase program for hog, dairy, and poultry products was followed by price increases for these and related products.

Bank credit

Total loans and investments at reporting member banks in 101 cities increased during March and the first two weeks of April. Commercial loans continued to rise substantially, and holdings of United States Government securities increased further, reflecting purchases of new Treasury offerings.

United States Government security prices

Prices of United States Government securities declined irregularly from March 15 to April 9 but subsequently rose slightly. The 1960-65 bonds showed a net loss of about $3/4$ of 1 point on April 15, following a rise of about $3-1/4$ points in the previous month. The yield on this issue on April 15 was 2.14 per cent, compared with 2.03 per cent at the all-time peak in prices on December 10, and 2.30 per cent at the recent low in prices on February 15.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

182

R-823

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 18, 1941

Dear Sir:

On Friday, May 30, the offices of the Board of Governors and all of the Federal Reserve Banks and branches, except Atlanta, Birmingham and Jacksonville, will be closed. There will be neither transit nor Federal Reserve note clearing, and the books of the Board's Interdistrict Settlement Fund will be closed on that day.

The Board is advised that the Charlotte Branch of the Federal Reserve Bank of Richmond will be closed on Saturday, May 10, in observance of Confederate Memorial Day, and on Tuesday, May 20, in observance of Mecklenburg Independence Day.

Please notify branches.

Very truly yours,

A handwritten signature in cursive script, reading "F. A. Nelson".

F. A. Nelson,
Assistant Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

183

R-824

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 24, 1941

Dear Sir:

Under date of April 18 the Board sent you, with its letter, S-259, a copy of a letter received from Mr. Wm. S. Knudsen, Director General of the Office of Production Management, with respect to reimbursing the Federal Reserve Banks for expenses incurred in the offices of District Coordinators.

It will be appreciated if you will forward to the Board the necessary changes in your Personnel Classification Plan to provide for employees in the office of District Coordinator and in the office of the Federal Reserve Defense Contract Officer at your Bank and at your branches, if any. You were advised in our letter of April 18 that expenses of the District Coordinators and the Defense Contract Officers should be reported in separate units in the Functional Expense Reports. The necessary revisions in the Functional Expense form are being made and copies of the revised pages will be forwarded shortly.

Very truly yours,

A handwritten signature in cursive script that reads "Chester Morrill".

Chester Morrill,
Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

184

R-825

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 26, 1941

Dear Sir:

There is enclosed for your information a table showing, among other things, the number and aggregate deposits of State banks admitted to membership in the Federal Reserve System during 1940 and the first quarter of 1941, together with a statement containing excerpts from the bank relations reports submitted by the Federal Reserve Banks for the month of March.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

Enclosures

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

STATE BANKS ADMITTED TO FEDERAL RESERVE MEMBERSHIP

(Deposits are in thousands of dollars)

Federal Reserve District	Banks admitted to membership during Jan. - March 1941		Banks admitted to membership during 1940		Number of nonmember commercial banks with sufficient capital stock to meet the minimum statutory requirements for Federal Reserve membership*				
	Number	Deposits	Number	Deposits	Total Number **	By size of deposits—			Number on Par List
						Under \$1 million	\$1 - 10 millions	\$10 millions and over	
Boston	0	0	0	0	141	45	87	8	141
New York	18	38,500	8	12,026	224	76	126	21	224
Philadelphia	2	2,800	4	3,777	225	101	108	13	225
Cleveland	4	1,200	25	37,595	475	327	139	6	474
Richmond	3	1,100	18	21,868	394	301	86	7	232
Atlanta	1	700	3	5,298	484	415	65	2	52
Chicago	14	14,100	62	74,483	1,219	1,008	200	10	1,079
St. Louis	4	1,800	21	12,412	664	578	78	3	434
Minneapolis	0	0	9	10,382	420	391	27	0	78
Kansas City	0	0	10	14,197	487	459	28	0	402
Dallas	2	1,100	24	21,154	282	253	29	0	174
San Francisco	2	800	4	5,125	194	138	37	9	182
Total	50	62,100	***188	218,317	5,209	4,092	1,010	79	3,697

* These figures are as of December 31, 1939, the latest date for which such data have been compiled.

** These totals include, and the distribution by amount of deposits excludes, 28 banks with no deposits or for which deposit figures were not available.

*** Excludes two banks organized to succeed national banks, one organized to succeed a State member as part of a rehabilitation program, and one organized to succeed a State member whose charter had expired.

April 26, 1941
Not for Publication

EXCERPTS FROM BANK RELATIONS REPORTS
FOR THE MONTH OF MARCH 1941

BOSTON

Southern New Hampshire

Lending rates were unchanged, few loans being made for less than 6 per cent. The only general complaint heard was the inability to employ a greater amount of bank funds.

Two of the bankers visited referred briefly to the branch banking bill now before the New Hampshire Legislature and intimated that the bill was not supported generally by the majority of the bankers in the State.

NEW YORK

During the month of March six State institutions completed membership--a total of eighteen new banks since January 1--and four applications were received.

The Eastern Regional Conference on Savings and Commercial Banking sponsored by the American Bankers Association was held at the Waldorf-Astoria Hotel, New York City, March 5 to 7, with a registration of approximately 1,150. The theme of the conference was "Improved Banking Service Through Effective Cooperation". Emphasis was placed on the panel type of discussion and the principal topics on the program were defense loans, agricultural and consumer credit, current economic developments, public relations, and savings bank life insurance.

PHILADELPHIA

Southeastern New Jersey

The resort business last season was not good but, because of business activity and the curtailment of ocean cruises, indications are that 1941 will be a banner year if weather conditions are favorable.

Several bankers of Trenton, the State capital, complained that their city has not as yet felt the upswing from defense work as compared with most other industrial cities, pointing out the fact that, with the exception of an \$8,000,000 defense contract recently awarded to John A. Roebling's Sons Company, Government contracts thus far have been small in amount. Other industries, particularly those located in the Camden area, are busy and the New York Shipbuilding Corporation, which is employing about 11,000 men, was reported to have unfilled orders on hand sufficient to maintain steady operating schedules for a period of about five years.

Conditions in the farming sections show little change as compared with a year ago. One banker reported that, because of poor crop yields and low prices last season, many of the farmers indebted to this bank were unable to reduce their obligations last fall, with the result that the volume of farm loans carried over from the 1940 season was greater than that in either 1938 or 1939. Poultry raising is growing in importance as a source of farm income because of the satisfactory returns for poultry and poultry products.

CLEVELAND

Such comment as has been offered by bankers visited during the month with respect to the five-point program of the Board has been in support of the Board's position. As one banker expressed it, "any necessary steps, no matter how drastic, should be taken to prevent inflation". Another banker expressed his belief that the experience gained by bankers following the first World War will prevent their making the same mistakes if inflationary tendencies again develop. On the other hand two bankers interviewed during the month are concerned over the effect of an increase in required reserve on the bond market.

RICHMOND

The majority of textile mills in the Fifth Federal Reserve District are operating near capacity, with three shifts of five days per week, and many mills are operating on Saturdays. Plant additions are under way at a number of mills, and further extensions are likely if the present scale of operation continues for a considerable period. Wage increases, varying from 5 to 7-1/2 per cent, were fairly numerous among the mills

of the Carolinas in March. Employment outlets offered by defense projects are expected to create a serious shortage of farm labor in many parts of the Carolinas, particularly during the harvest seasons for potatoes and strawberries.

Maryland

A contract was awarded to the Bethlehem-Fairfield Shipyard at Baltimore, in March, for 50 of the Maritime Commission's order of 137 cargo vessels. Bethlehem's award was given as \$75,000,000, base cost figure, and calls for delivery of the first ship in 305 days and the fiftieth in 730 days.

In trying to bring new sources of employment to Cambridge, Maryland, the Chamber of Commerce of that city has acquired all the capital stock in a hosiery mill that formerly was in operation there.

Virginia

The Clinchfield Coal Corporation, which operates non-union collieries at Clincho and Dante, Virginia, announced a wage increase of 10 per cent for all employees. These mines are still operating full time while union mines are shut down.

Farmers around New Market, in Shenandoah County, Virginia, are expected to increase their cattle herds by about 20 per cent this fall in the belief that the price of beef would rise as a result of national defense stimulus to business.

West Virginia

Production of coal in West Virginia during March is estimated to have been 12,000,000 tons, or an amount greatly in excess of the normal for that month.

North Carolina

The North Carolina Shipbuilding Company of Wilmington received a contract in March for 25 cargo ships at an estimated base cost of \$37,500,000. Construction is in progress on a six-way shipyard to cost \$5,140,000, in which yard the above ships will be constructed.

South Carolina

The growing of a new crop, from which paprika will be produced, is being undertaken in Dillon County. Two hundred acres are being planted this year, with 1,000 acres expected next year. A mill

for grinding paprika is also being constructed. This is just one more instance of the crop diversification taking place in South Carolina.

Thirty-four contracts for construction and equipment, amounting altogether to \$25,500,000, have been awarded by the South Carolina Public Service Authority for work on the huge Santee-Cooper hydro-electric project. The proposed total outlay on this project is \$43,000,000.

ATLANTA

Work is progressing on a project which will make Pearl River entirely navigable from Bogalusa (eastern border of Louisiana) to the Gulf, thereby providing a means of low rate water transportation for bringing raw materials to and shipping of the finished products from the industries of this immediate area. It is expected, however, that from one to two years will be required for the completion of this project.

CHICAGO

A banker in Detroit informs us that it will be necessary to import a great deal of labor in that area, for it is estimated that by July 1 there will be 100,000 more jobs than men to fill them.

Automobile production for the month of March was the highest since March 1929.

Some steel companies are out of the market for the remainder of the year. One company has written to all of its customers that it is accepting only such orders as can be included in the 1941 schedules and those only in relation to previous sales; no orders for 1942 delivery will be accepted at present except defense items.

ST. LOUIS

In the section of Indiana visited agricultural conditions last season were mainly favorable. Tobacco did not turn out as well as expected owing to reduced yields, inferior quality, and low prices toward the end of the marketing season. However, this disadvantage was offset by success of other crops and by substantial revenues derived from live-stock production and Government benefit payments. The numbers of cattle, it was stated, are increasing, and in some sections are half again as large as a year ago. Farm help is reported scarce.

Aside from tobacco, on which prices were very disappointing, the area in Kentucky visited also had a favorable agricultural season in 1940. Livestock raising has been increasing steadily in recent years, and dairying is extensively practiced and profitable. Outlook for wheat and other fall sown grains at mid-March was unusually good, and the same is true of tree fruits.

At Charlestown (Indiana) is located one of the largest powder plants in the United States, operated by the DuPont Company. In that and adjacent communities there is a veritable boom. Normally the town has a population of about 650, which has been swelled to more than 4,000. In virtually all towns visited, bankers reported little unemployment, and trade is brisk. Near DuPont a tract of 60,000 acres is being developed as a proving ground by the U. S. Army. The plant of the Louisville Cement Company at Milltown is operating with a greatly increased force. In the area about New Harmony approximately 100 producing oil wells have been drilled during the past year.

It is generally admitted that Louisville (Kentucky) and surrounding territory has been exceptionally fortunate in the number of projects received. Local industrialists estimate the pay rolls for 1941 in the Louisville metropolitan area will approximate \$190,500,000, compared with a normal yearly pay roll of \$100,000,000, or an increase of 90.5 per cent.

A Mississippi national bank officer is considering a plan to expand the bank's loans to farmers. He proposes to employ a man, who was formerly County Agent, to make a survey of all farms in the county and to solicit the business of the more desirable accounts. The bank charges a rate of 8 per cent and he proposes to set aside 2 per cent as a reserve. The field man would spend his entire time inspecting the farms and advising the customers.

MINNEAPOLIS

Southeastern Minnesota

"You can run a bank in your sleep these days" was the way one banker expressed banking conditions in this area. Earnings have been excellent.

If you want to see a blank stare of uncomprehension, try to explain to a small nonmember banker why the Government does not want to sell him savings bonds. He has no Government bonds today except savings bonds--no depreciation in his bond account--they are

just as good as cash--they afford a good yield--they are the best investment for a country bank. You say that bank deposits might grow to a point where they would encourage price inflation. He says that deposits won't grow in his bank on this account--he only invests money left on deposit with him by farmers who are having the best year since 1920. Would larger bank deposits cause inflation? Well, perhaps, but he has never financed speculation. He is all for holding down the price of things that the farmer buys so that the present good farm product prices will give the farmer a chance to catch up on his repairs and replacements--anyway, it isn't the banks but the labor unions that make higher prices.

Butter fat sold at 38 cents and whole milk at 41 cents. The price rose a half cent a pound while our representative was on tour due to the Government's purchase of dairy products for export, (rumor said to England). Dairy cows were selling at a premium, prices ranging from \$80 to \$125.

Farmers expect to pay \$65 a month plus board and room for farm hands. Another result is that all kinds of labor saving machinery such as tractors and milking machines have been in unusual demand this spring.

Lakes Region in Minnesota and Wisconsin

The most important industry in this region is the mining and shipping of iron ore. Last year 64,000,000 tons were shipped from the ports of Duluth, Superior, and Two Harbors. It is estimated that under the present wartime pressure 75,000,000 tons will be shipped from these ports, setting an all-time record.

Technological improvements in handling iron ore made in the last few years have materially reduced pay rolls and, consequently, the record-breaking tonnage shipped from these parts is not reflected proportionately in increased business activity as compared to ten or fifteen years ago. At the port of Two Harbors where 10,000,000 tons were handled in 1940 sixteen train crews and 135 dock employees were used, as compared to 48 train crews and 600 dock employees a few years ago, even though the tonnage is now greater than in years gone by.

Southern Minnesota

A number of the bankers told our representative their farmer customers expect their help in preparing income tax reports and it is getting to be a real problem to handle them. One bank arranged with a firm of income tax experts to have the experts spend several

days at the bank and then placed an ad in the local newspaper, advising customers that the service would be available for a reasonable fee. This seemed to work out very well, although there was some objection on the part of some farmers to the size of fees charged by the experts.

We have now procured for our permanent library about 100 individual theses submitted to the Graduate School of Banking at Rutgers University. A catalog of these theses was sent to the executive officers of all banks in the Ninth District on March 15, since which date we have received 279 requests for these theses.

During the month of March, we sent to all member banks and prospective State members operating ratios studies of member banks in the Ninth District for the year 1940.

KANSAS CITY

From a moisture standpoint, the farm situation in this District is the best in years. Because of this, the prevailing opinion is that farmers this season will plant more corn and probably more flax but less sorghum. Great interest is being displayed everywhere in the recently announced program to peg the price of hogs at 9 cents a pound. Nearly everyone believes that farmers will increase hog production as about 14 bushels of corn at present prices are equal in value to 100 pounds of live hog at nine dollars. This ratio would be quite favorable to hog raising.

There is considerable uncertainty as to the relative injury done by the Armistice Day freeze. Taking the Winter Wheat Belt as a whole, there still remains a large acreage of very fine wheat and the indications are now that the crop will be appreciably above average. But the fact remains that the wheat in many localities is badly damaged although this damage seems to be quite spotted.

Even more serious than the damage to wheat was that done to orchards. Few fruit trees had begun to enter the dormant stage when the November freeze came and in some sections of southeastern Nebraska it is believed that as many as 90 per cent of the apple trees were killed. Farther south the damage is less and in the St. Joseph area it is estimated to be about 25 per cent. In northeastern Kansas some believe 50 per cent of the trees are dead. Even where trees are alive, the damage to this year's crop will be very heavy.

There has been much discussion recently of the desirability of the Government financing the defense program by borrowing from bona

fide savers instead of creating new deposits by selling securities to the banks. Evidently there has been some misunderstanding regarding this talk and some people apparently fear that the Government is virtually going to confiscate their savings accounts, giving in exchange some kind of a Government security. Bankers are also asking if they will be required to go out and hold meetings to urge people to buy bonds as they did in the last war.

DALLAS

Southeastern Oklahoma

The recent rise in the price of cotton has brought an influx of buying orders from the eastern mills, consequently a great many farmers who had placed their 1940 cotton in the Government loan have sold their equities.

Farming operations throughout the territory visited have been retarded by too much rain during the winter and spring. Very little corn has been planted to date. Record-breaking crops, of all kinds, were produced in 1940 and farmers generally are in fine financial condition to start the new year.

Livestock are in good condition due to a very mild winter.

A number of the bankers visited in Oklahoma complained about some of their best farming land located along Red River becoming inundated when the new Red River dam is completed.

East Texas

The impact of the defense program has stimulated to maximum capacity the production and manufacture of lumber and other forest products. The enlarged scope of employment has expanded retail and general business substantially. A seller's market exists for stumpage (standing timber). Prices, which a year ago were in the \$3 to \$4 per thousand range, have now advanced to the \$7 to \$10 area, depending on quantity, quality, and accessibility.

Livestock raising has greatly expanded in this area in recent years. One authority estimates the cattle population has increased 119 per cent in the past seven years. Furthermore, substantial improvement has been made in the breed and quality of holdings; likewise, through research and management, the carrying capacity of pastures has been increased. Stockmen are in a particularly prosperous position. Prevailing prices, the best in a decade and a half, along with generally good condition of animals, account for highly remunerative marketings.

Oil exploration and development contribute much new wealth to this section. Substantial production has been developed, particularly in Anderson County, while new leasing (with, of course, usual rentals and bonuses) is quite widespread.

SAN FRANCISCO

Ogden and Salt Lake City

Heightened activity in construction, both residential and commercial, has continued, the impetus arising from Army activities, such as the Supply Depot at Ogden, the Arsenal and Airports. Ogden is in the course of preparing plans for at least 500 new housing units in addition to 150 contemplated by the P. B. A. While no appreciable quantities of defense contracts have been placed in the area, the increasing demand of railroads and mines has accelerated manufacturing activities, particularly in the foundry and machine shop fields.

PUBLIC RELATIONS ACTIVITIES OF FEDERAL RESERVE BANKS

March 1941

Federal Reserve Bank	Visits to Banks			Meetings Attended		Addresses Made	
	Member	Nonmember	Total	Number	Attendance	Number	Attendance
Boston	6	2	8	1	<u>1</u> /	2	90
New York	58	21	79	6	3,195	1	50
Philadelphia	62	20	82	5	2,034	5	2,034
Cleveland	87	65	152	3	434 ¹ /	6	270
Richmond	53	35	88	8	1,560	2	125
Atlanta	4	11	15	1	100	0	0
Chicago	11	52	73	2	362	1	90
St. Louis	51	97	148	7	841	8	490
Minneapolis	20	7	27	3	194	18	1,172
Kansas City	10	24	34	6	415	2	150
Dallas	69	10	79	3	1,150	0	0
San Francisco	25	8	33	12	563	6	1,050

1/ Not completely reported.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-826

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ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 26, 1941

Dear Sir:

It will be appreciated if you will kindly obtain as early as practicable from each weekly reporting member bank in your district a report on form F.R. 550 of "Loans and Commitments for National Defense as of April 30, 1941". A supply of form F.R. 550 for use in obtaining these reports and of a memorandum of instructions has been sent to you under separate cover. A copy of each is attached.

The Office of Production Management desires information showing the extent to which banks are financing prime contractors and subcontractors, large and small, engaged in erecting plant facilities or in providing supplies and equipment for defense purposes. It is felt that such information would be useful also to the Board of Governors. It is therefore suggested that you request the earnest and prompt cooperation of each reporting bank in furnishing the information called for by the form.

The reports should be sent to the Board of Governors from time to time as a number become available and after they have been scrutinized to see that they appear to be in proper form.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

Enclosures 2

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS
(Enclosures with addressed copies only)



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

196

R-827

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 30, 1941

Dear Sir:

For some time it has been necessary for some of the Federal Reserve Banks to append a number of footnotes to their reports on Forms F. R. 417 and F. R. 417a in regard to industrial advances and commitments. Accordingly, it has seemed desirable to revise these forms so as to eliminate the necessity for such footnotes. A supply of the revised forms is being forwarded to you under separate cover, and it is requested that reports be submitted on the revised forms beginning with the week ending Wednesday, May 7.

Very truly yours,

A handwritten signature in dark ink, appearing to read "E. L. Smead". The signature is fluid and cursive, with a large initial "E" and "S".

E. L. Smead, Chief,
Division of Bank Operations.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 2, 1941

Dear Sir:

In order to facilitate the work of the Bureau of Engraving and Printing, which now closes at 3:30 P.M., except on Saturdays when it is closed all day, it is desirable that in so far as practicable requisitions for Federal Reserve notes (Form F. R. 45) be forwarded by mail in time to reach the Board at least one day in advance of the day on which the notes are to be shipped. Such requisitions should indicate the date on which shipment is desired so that the notes will not arrive at the Federal Reserve Bank or Branch at an inconvenient time. A supply of Form F. R. 45, revised, is being forwarded to you under separate cover.

Telegraphic requests for shipments of Federal Reserve notes should be made when time will not permit the use of the mails. In order to have shipments go out on day of receipt by us of a telegraphic request, the telegram should reach the Board not later than 12 noon. It will not be necessary to indicate the number of packages of each denomination of notes desired in the case of telegraphic requests. A confirmation on Form F. R. 45, with the word "confirmation" printed thereon, should be forwarded where request for shipment of notes is made by telegram.

Very truly yours,

A handwritten signature in cursive script, appearing to read "E. L. Smead".

E. L. Smead, Chief,
Division of Bank Operations.

TO ALL FEDERAL RESERVE AGENTS



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

198

8-829

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 3, 1941

Dear Sir:

There is enclosed for your information a copy of a letter to one Federal Reserve Bank in response to an inquiry regarding the method of reporting on Daily Balance Sheet, Form 34, certain transactions in connection with Defense Savings Bonds.

Very truly yours,

A handwritten signature in cursive script, reading "E. L. Smead".

E. L. Smead, Chief,
Division of Bank Operations

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS
EXCEPT MINNEAPOLIS

C O P Y

199

May 1, 1941.

Mr. _____,
Vice President and Secretary,
Federal Reserve Bank of _____,
_____, _____.

Dear Mr. _____:

Reference is made to your letter of April 24, regarding the method of reporting on Daily Balance Sheet, Form 34, certain transactions in connection with Defense Savings Bonds.

It is suggested that the stock of unissued Defense Savings Bonds be included on the reverse of Form 34 in the item "Other custodies held as Fiscal Agent of the United States." It is also suggested that collateral security deposited by issuing agents and Series E Defense Savings Bonds on consignment be reported on the reverse of the form following the printed collateral and custodies items as shown below:

Defense Bonds on consignment
Collateral - Issuing Agents

Very truly yours,

(Signed) E. L. Smead

E. L. Smead, Chief,
Division of Bank Operations



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON R-830

200

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 7, 1941

Dear Sir:

Referring to the Board's letter R-765 of January 11, 1941, the following change took place during April in the list of nonmember banks that have in force agreements with the Board pursuant to the provisions of Section 8(a) of the Securities Exchange Act of 1934:

Deletion

Michigan
Detroit

Commonwealth Bank
(Admitted to Federal Reserve
membership on April 25, 1941)

Very truly yours,

L. P. Bethea,
Assistant Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

201

R-831

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 10, 1941

Dear Sir:

The President of the United States on April 29, 1941, approved an Act (Public Law 43--77th Congress) to expedite the national defense by authorizing the Secretary of War or the Secretary of the Navy, in their discretion, to waive the requirement contained in the Act of August 24, 1935 for performance and payment bonds in connection with supply contracts for the manufacturing, producing, furnishing, construction, alteration, repair, processing or assembling of vessels, aircraft, munitions, materiel or supplies of any kind or nature for the Army or the Navy. The Act of August 24, 1935, known as the Miller Act, requires in certain circumstances performance and payment bonds in the case of contracts exceeding \$2,000.

A copy of Public Law 43 is enclosed. There is also enclosed a statement published at page 3106 of the Congressional Record for April 4, 1941, explaining the purpose of this legislation. This statement does not refer to the Secretary of the Navy but subsequent to its publication the bill was amended so as also to authorize the Secretary of the Navy to waive the requirement of performance and payment bonds.

Very truly yours,

Ernest G. Draper
Ernest G. Draper

Enclosures 2

TO PRESIDENTS OF ALL FEDERAL RESERVE BANKS
COPY TO FEDERAL RESERVE DEFENSE CONTRACT OFFICERS

[PUBLIC LAW 43--77th CONGRESS]
[CHAPTER 81--1st SESSION]
[S. 1059]

AN ACT

To expedite the national defense by clarifying the application of the Act of August 21, 1935 (49 Stat. 793), as to the requirement of mandatory performance and payment bonds in connection with supply contracts.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Act of August 21, 1935 (49 Stat. 793), may, in the discretion of the Secretary of War or the Secretary of the Navy, be waived with respect to contracts for the manufacturing, producing, furnishing, construction, alteration, repair, processing, or assembling of vessels, aircraft, munitions, materiel, or supplies of any kind or nature for the Army or the Navy, regardless of the terms of such contracts as to payment or title: Provided, That as to contracts of a nature which, at the date of the passage of this Act, would have been subject to the provisions of the Act of August 21, 1935 (49 Stat. 793), the Secretary of War or the Secretary of the Navy may require performance and payment bonds as provided by said Act.

Approved, April 29, 1911.

CONGRESSIONAL RECORD — SENATE

April 4, 1941, Page 3106

STATEMENT WITH RESPECT TO S. 1059

Section 1a of the act of August 24, 1935 (49 Stat. 793), commonly known as the Miller Act, provides that "before any contract, exceeding \$2,000 in amount, for the construction, alteration, or repair of any public building or public work" is awarded, the contractor shall furnish a performance bond for the protection of the United States, in an amount satisfactory to the contracting officer, and a payment bond, for the protection of persons supplying labor and material in the prosecution of the work, with sureties satisfactory to the contracting officer and in an amount specified in the statute. It is customary to require performance bonds in an amount at least equal to 10 percent of the contract price. Payment bonds must by statute be in penal amount equal to 50 percent of the cost of the work in contracts below \$1,000,000; 40 percent for contracts from \$1,000,000 to \$5,000,000, and in penal amount of at least \$2,500,000 in larger contracts. From the phraseology, "public building or public work" of the act, it would appear that the requirement for these bonds was intended to relate only to contracts for buildings, river and harbor improvements, camps, cantonments, and such other real estate projects, or the alteration or repair thereof.

In construing the act of August 1, 1892, known as the Heard Act, the predecessor of the Miller Act, the Supreme Court of the United States, in 1910, held that a boat was a public work, and that whether a work is "public" or not does not depend upon its being attached to the soil, but, if it belongs to the representatives of the public, it is a "public work." Following that reasoning, the Attorney General of the United States, in 1932, expressed the opinion that work on a vessel owned by the United States was a public work within the meaning of the act. Again in 1936, the Attorney General ruled that contracts exceeding \$2,000 in amount, for the alteration or repair of United States Coast Guard vessels, boats, and aircraft, since the property belongs to the United States, were contracts for public work. He further stated that contracts for the construction of such craft which provide for the passing of title to the United States during the progress of the work as partial payments are made are within the meaning of the term "any public work." Extending the analogy, he held the same year that a contract for making cotton mattresses from materials owned by the Government was public work.

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It was but a step further for the Comptroller General to find that any Army contracts for supplies which provide for partial payments as the work progresses are contracts for public work, since title passes to the Government when the first partial payment is made, requiring performance and payment bonds under the Miller Act. By this reasoning, all sorts of contracts involving partial payments for supplying aircraft, machine guns, tanks, clothing, neckties, shoe laces, and other articles, must be classified as contracts for public works, making it incumbent upon the contractor, no matter what his financial strength may be, or whether the bonds are deemed to be necessary for the protection of the United States, or of laborers and materialmen, to furnish the performance and payment bonds specified by the Miller Act. The decisions of the Supreme Court, the Attorney General, and the Comptroller General are binding upon the War Department, and compliance therewith is mandatory. The same reasoning did not apply to Navy contracts since they only take a legal lien (under a statute passed in 1911) instead of title when partial payments are made.

Believing that Congress originally intended that the Heard Act and later the Miller Act should apply only to construction contracts, the War Department has submitted to the Congress a draft of legislation designed to clarify the meaning and application of the Miller Act to make it inapplicable to supply contracts for the Army. The proposed legislation was embodied in S. 1059, the present bill, as originally introduced. It was the view of the committee, however, that to center responsibility it would be better to permit the Secretary of War, in his discretion, to waive the requirements of the Miller Act as to bonds, so that the bill was amended and reported in its present form. The proposed act does not affect construction contracts.

NECESSITY FOR SUCH LEGISLATION

The national-defense program, calling for almost unheard-of quantities of material and equipment for the men entering the military service by voluntary enlistment and by induction under the Selective Service Act, the manufacture and construction of aircraft, munitions, tanks, guns, and supplies of every sort, has taxed the industrial resources of the United States to such an extent that private capital is unable to finance to completion thousands of supply contracts, many of them running into forty or fifty millions of dollars each. Increased facilities must first be constructed, new machinery purchased, and countless new employees engaged. The contractor then finds his resources expended and must seek additional financing of his Government supply contracts on a scale never before encountered. To meet this situation the Government has provided for advance payments, when necessary, at the beginning of the contract, and partial payments as the work progresses, to simplify private financing.

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As a result, however, of the interpretation given the Miller Act, an inconsistent situation has grown up. If by the terms of a contract, 100 airplanes are paid for on completion of the contract, no Miller Act bond is required. If 100 airplanes are paid for as each airplane is delivered, no Miller Act bond is required. If the contract is let on a cost-plus-a-fixed-fee basis, no Miller Act bond is required. If, however, partial payments are made on a lump-sum contract to help the contractor finance the work in progress prior to its delivery, Miller Act bonds must be supplied. This mandatory requirement for performance and payment bonds where partial payments are made to help finance the work in progress has resulted in serious difficulties and delays in the financing and progress of the defense program.

The final execution and approval of a number of large aircraft contracts has been delayed from 2 to 5 months because of the inability of certain companies to obtain Miller Act bonds.

In some cases as many as 13 or more bonding companies have had to be called upon to provide a single bond, necessitating sending it from place to place for signature. In other cases the Government waited while the surety company made a long financial investigation and extracted the last ounce of security from the contractor's free assets. In some cases the contract had to be rewritten on a cost-plus-a-fixed-fee basis or with partial payments eliminated so that bonds could be waived. In one case a contract for \$13,115,138.13 for furnishing 341 airplanes was executed September 14, 1940. It was not possible for the contractor, a reliable but tremendously expanded corporation, to furnish the necessary bonds. The bond requirement was finally removed in February 1941 by eliminating the partial payments provided by the contract, resulting in a delay of 5 months before a complete contract could be obtained. With the elimination of partial payments, financing to a total of \$6,000,000 was needed to finance this contract to the delivery stage.

In another instance, involving an original contract and a change order for 3,000 airplanes, at a total cost of \$34,717,082.50, a delay of 6 months occurred before a legal contract could be finally approved, and it was necessary to eliminate partial payments by appropriate change order because no bonds could be furnished. Such examples might be multiplied many times.

The other side of the picture involves difficulties that have occurred when bonds have been furnished.

In many instances surety companies, claiming to be financing institutions within the meaning of the Assignment of Claims Act of 1940

(Public, No. 811, 76th Cong.), are requiring contractors to give them assignments of all rights under supply contracts on which bonds are given. If a bank loan is necessary to enable the contractor to finance his work and an assignment to the bank is contemplated, the fact that the bonding company claims a priority hampers bank financing. Although the Judge Advocate General of the Army has ruled that bonding companies are not financing institutions within the meaning of the Assignment of Claims Act of 1940, nevertheless many banks are reluctant to make defense loans in the face of prospective litigation with a surety company. In this situation, the Government supply contractor meets practically insurmountable obstacles in getting private financing.

Other surety companies are demanding from contractors indemnity for the bonds written by them and are requiring the deposit of collateral security or the giving of mortgages or other liens on the contractor's plant and equipment. This practically strips the contractor of available bankable security when a loan is necessary to finance operations under the contract.

The use of partial payments, because of the necessity for giving performance and payment bonds under the Miller Act, has been practically discontinued by the War Department as a means of financing Ordnance contracts and some Air Corps contracts. Frequently, if partial payments are not used, the contractor must have financing up to 50 or 60 percent of the amount of his contract prior to receiving payments from the Government for articles completed. Banks hesitate to make loans in such amounts. Advance payments under existing law are authorized only up to 30 percent of the amount of the contract. If the Government makes an advance of 30 percent, the banks necessarily feel that they are not required to make loans to take up 50 or 60 percent, because their claims are subordinate to the advance payment. These are practical difficulties experienced in financing contracts for carrying out the defense program.

In endeavoring to solve the difficulties in obtaining bonds for large Air Corps contracts, reduction in the penalties of performance bonds to 5 percent of the total contract price was attempted by the War Department. This resulted in refusal by the surety companies to give performance bonds to small contractors because the business was not considered sufficiently profitable or attractive. This situation compelled the Air Corps contracting officers to the penal amount of the performance bonds at the dictation of the surety companies.

Surety companies have, in some instances, required agreements from contractors to the effect that no more contracts will be undertaken until the ones on which bonds already have been written are

completed. In one case a surety company refused to write additional bonds until an existing contract was completed, with the result that the contractor was too late to bid on pending invitations and lost the opportunity to undertake additional defense work. Necessarily, this resulted in retarding and delaying procurement under the national-defense program. How many other instances of this kind actually exist is not known, but they are constantly being mentioned orally to contracting officers. Written complaints are stated by an Air Corps report to be relatively few for fear of black list.

The original purpose of the Miller Act was to protect laborers and materialmen with respect to Government construction projects, since no mechanics' or materialmen's liens attach because of Government ownership. Ordinarily lien protection does not exist and is not needed with respect to contracts for supplies, as distinguished from construction, between private individuals in the business world. Necessarily, the producer or manufacturer must pay his laborers weekly or at least twice monthly. It is the last claim he fails to pay. The individual labor claim, therefore, if any, is small in event of bankruptcy and has a priority there. There seems to be little logic in requiring payment bonds for laborers employed by contractors with the Government, when such laborers are protected by the Fair Labor Standards Act, the Walsh-Healey Act, and the Bacon-Davis Act as to wages, hours of labor, and methods and times of payment.

Likewise, materials usually are sold on a 30- to 60-day basis, cash on delivery, or only after satisfactory assurance of sound credit standing on the part of the purchaser. Materialmen can protect themselves and are better protected by adequate financing of the contractor insuring performance of the contract than by bonds. With respect to performance bonds for the protection of the United States, it may be said that the Government is its own insurer in other matters, and there is little likelihood of substantial loss in connection with the furnishing of supplies payable on the installment plan; since the payments do not exceed work successfully nearing completion.

The need for legislation such as S. 1059 is considered by the War Department to be urgently needed at this time in order properly to expedite the national-defense program under the new appropriation acts. The bill as reported would permit the Secretary of War to require performance and payment bonds in any case of supply contracts where he deems them to be necessary. The War Department requires performance bonds in many cases where that requirement is not mandatory by law, and S. 1059 as reported would permit the same practice with respect to the bonds that would be authorized to be waived thereunder when the interests of the Government so require.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

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R-832

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 14, 1941

Dear Sir:

Subscriptions to the U. S. Government Advertiser, which has been sent to the Federal Reserve Defense Contract Officer at your Bank and branches, if any, expire June 4, 1941.

For your information, there is enclosed a copy of a letter written this date to the U. S. Government Advertiser with respect to these subscriptions.

Very truly yours,

Ernest G. Draper

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

R-832-a

May 14, 1941

U. S. Government Advertiser,
511 Eleventh Street, N. W.,
Washington, D. C.

Gentlemen:

Receipt is acknowledged of your bill, addressed to the Federal Reserve System, for the renewal of 37 subscriptions to the U. S. Government Advertiser for the period June 4, 1941 to June 4, 1942.

Since these subscriptions were entered, most of the work at the Federal Reserve Banks and branches in connection with which use was made of the U. S. Government Advertiser has been turned over to District and Area Coordinators at the Federal Reserve Banks and their branches which function under the direction of Mr. Robert L. Mehornay, Chief, Defense Contract Service, Office of Production Management. Accordingly, the renewals of the subscriptions is a matter for the determination of Mr. Mehornay's office, and your bill, dated May 5, has been referred to him.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-833

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



May 15, 1941

Dear Sir:

The Board of Governors of the Federal Reserve System is advised that the following holidays will be observed by Federal Reserve Banks and branches during the month of June 1941:

June 3 (Tuesday)	Richmond Atlanta Birmingham Jacksonville Nashville New Orleans	Louisville Memphis Dallas El Paso Houston San Antonio	Confederate Memorial Day and Jefferson Davis' Birthday
June 14 (Saturday)	Philadelphia	Pittsburgh	Flag Day
June 17 (Tuesday)	Boston		Bunker Hill Day

On the dates given the offices mentioned will not participate in either the transit or the Federal Reserve note clearing through the Interdistrict Settlement Fund. Please include transit clearing credits for the offices affected on each of the holidays with your credits for the following business day. No debits covering Federal Reserve note shipments for account of the head offices affected on each of the holidays should be included in your note clearing on those dates.

Please notify branches.

Very truly yours,

F. A. Nelson,
Assistant Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

211

R-834

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 15, 1941

Dear Sir:

You will recall that on December 12, 1940 (B-1251), we forwarded you copies of memoranda relating to surety bond requirements of the Army and Navy on defense contracts. On May 10, 1941 (R-831), we forwarded you a copy of an act of April 29, 1941 relating to waiver by the Secretary of War and the Secretary of the Navy of surety bond requirements.

In connection with the above, there is enclosed for your information a copy of a memorandum from the Under Secretary of War to The Director of Purchases and Contracts governing the application of the provisions of the act of April 29, 1941 in so far as the War Department is concerned. We understand that the Navy Department is formulating its policy under that act and we hope to be able to advise you at an early date as to the policy adopted by that Department.

Very truly yours,

Ernest G. Draper
Ernest G. Draper

Enclosure

TO PRESIDENTS OF ALL FEDERAL RESERVE BANKS
COPY TO FEDERAL RESERVE DEFENSE CONTRACT OFFICERS

C O P YWAR DEPARTMENT
OFFICE OF THE UNDER SECRETARY
WASHINGTON, D. C.

May 6, 1941

MEMORANDUM for The Director of Purchases and Contracts

SUBJECT: Waiver under authority of the Act of April 29, 1941 (Public No. 43, 77th Congress) of requirements for performance and payment bonds.

1. The following will govern the application of the provisions of the Act of April 29, 1941, which reads:

"That the Act of August 24, 1935 (49 Stat. 793), may in the discretion of the Secretary of War or the Secretary of the Navy, be waived with respect to contracts for the manufacturing, producing, furnishing, construction, alteration, repair, processing, or assembling of vessels, aircraft, munitions, materiel, or supplies of any kind or nature for the Army or the Navy, regardless of the terms of such contracts as to payment or title: Provided, that as to contracts of a nature which, at the date of the passage of this Act, would have been subject to the provisions of the Act of August 24, 1935 (49 Stat. 793), the Secretary of War or the Secretary of the Navy may require performance and payment bonds as provided by said Act."

2. In any case in which the chief of the supply arm or service concerned considers that because of special circumstances a payment bond should be required in connection with any supply contract by reason of provisions for partial payments or otherwise, he will make recommendation to that effect to the Under Secretary of War, accompanied by a statement of facts upon which the recommendation is based, in order that the Under Secretary of War may determine whether such bond should be required. Where a payment bond is required, the contract will so state.

3. The Secretary of War has determined, except as provided in paragraph 2 above, that no payment bond shall be required in connection with any supply contract (i.e., contracts for the manufacturing, producing, furnishing, construction, alteration, repair, processing, or assembling of vessels, aircraft, munitions, materiel, or supplies of any kind or nature for the Army).

4. The Secretary of War has determined, with respect to performance bonds in connection with any supply contract (i.e., contracts for the manufacturing, producing, furnishing, construction, alteration, repair, processing, or assembling of vessels, aircraft, munitions, materiel, or supplies of any kind or nature for the Army), that no such bond shall in the future be required by virtue solely of the provisions of the Act of August 24, 1935 (49 Stat. 793) or Paragraph 10 a (2), Army Regulations 5-220, but Paragraph 10 a (1), Army Regulations 5-220 and other pertinent Army Regulations and instructions of the Secretary of War relating to performance bonds on supply contracts which are not also contracts for "public work of the United States" shall equally apply to supply contracts which are classed as contracts for "public work".

By direction of the Secretary of War:

(Signed) ROBERT P. PATTERSON

Under Secretary of War

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

STATEMENT FOR THE PRESS

For release in morning papers,
Monday, May 19, 1941

The following summary of general business and financial conditions in the United States, based upon statistics for April and the first half of May will appear in the June issue of the Federal Reserve Bulletin and in the monthly reviews of the Federal Reserve Banks.

Wholesale commodity prices advanced sharply in April and the first half of May, with the exception principally of metals for which maximum prices had been established. Industrial production declined in April, owing to reduced output of coal and automobiles, but increased rapidly in the first half of May as operations in these industries were resumed.

Production

In April the Board's seasonally adjusted index of industrial production declined to 139 per cent of the 1935-1939 average, a drop of 4 points from March. The decline reflected chiefly a sharp reduction in output of bituminous coal, as most mines were closed during the entire month. The mines were reopened on April 30 and in the first half of May coal output increased rapidly.

Automobile production also declined in April, owing to stoppage of work at plants of the Ford Motor Company during an industrial dispute. This was settled about the middle of the month and domestic

output has since advanced to a high monthly rate of over 500,000 cars and trucks. Announcement by the Office of Production Management that output in the twelve months ending July 31 would approximate 5,290,000 units indicates that a rate close to that now prevailing should be maintained through July, although there is usually a considerable decline in this period.

Steel production was curtailed somewhat in the latter half of April by shortages of coal and coke and output declined from a level of 100 per cent of capacity to 94 per cent at the month end. Subsequently output increased, reaching 99 per cent by the middle of May.

In most other lines activity continued to increase during April and the first half of May. Machinery production rose further and activity in the aircraft and shipbuilding industries continued to expand rapidly. Consumption of nonferrous metals also advanced, and, as in March, domestic sources of copper were supplemented by large supplies from Latin America. Textile production rose further from the high rate prevailing in March. Consumption of raw cotton in April amounted to 920,000 bales, a new record level, and rayon deliveries also rose to a new peak. At wool textile mills activity was maintained near the high March rate. Continued advances were reported in the chemical, paper, and food industries.

Anthracite production declined considerably in April, owing to a delay by dealers in placing usual spring orders, but increased in the first half of May. Output of crude petroleum showed little change from the March rate, following some increase from the reduced level of the

winter months. Iron ore shipments in April amounted to about 7,000,000 tons, an exceptionally large amount for this time of year, and mine output of nonferrous metals continued at near capacity rates.

Value of construction contract awards in April declined somewhat from the high March total, owing principally to a smaller volume of defense plant contracts, according to F. W. Dodge Corporation reports. There was an increase in contracts for publicly financed defense housing, and awards for private residential building rose by about the usual seasonal amount.

Distribution

Sales of general merchandise at department and variety stores showed about the usual seasonal rise from March to April, making allowance for the changing date of Easter. Retail sales of new automobiles, which had amounted to 526,000 cars and trucks in March, rose further in April and sales of used cars were at peak levels.

Freight-car loadings declined sharply in April, reflecting a reduction in shipments of coal and coke, but increased in the first half of May when coal mines were reopened. By the middle of the month total loadings had risen to a weekly rate one-fourth higher than in the corresponding period last year and about the same as the seasonal peak reached in the autumn of 1940.

Commodity prices

Prices of most basic commodities, both domestic and imported, advanced sharply further in the first half of May following a short period of little change during the latter part of April. Price increases

were most pronounced for agricultural commodities reflecting in part the prospect of legislation raising Federal loan rates for basic farm crops. Prices of a number of semimanufactured industrial products, including petroleum products, coke, leather, textile yarns and fabrics, and building materials, also advanced. Metal prices, now for the most part subject to Federal control, remained at the maximum levels established earlier.

Bank credit

Bank loans and investments have shown a marked rise since last summer, the increase at reporting banks in 101 leading cities amounting to \$4,000,000,000. In April and early May holdings of investments by these banks increased considerably, mostly at New York City banks, reflecting substantial purchases of newly issued Reconstruction Finance Corporation notes. Increases in commercial loans in this period were somewhat smaller than during the preceding two months.

Excess reserves of member banks were \$5,700,000,000 on May 14. Since January they have declined by about \$1,100,000,000, owing largely to increases in Treasury deposits with the Reserve Banks and in currency in circulation. The decrease has occurred entirely at New York City banks.

United States Government security prices

Prices of United States Government securities, which had risen sharply from April 9 to April 21, subsequently declined irregularly through May 15. On that date the 1960-65 bonds were $3/4$ of a point lower than on April 21 and about $1-1/4$ points below the all-time peak reached on December 10, 1940. The yield on this issue is currently about 2.09 per cent, compared with 2.03 per cent on December 10.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-836

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



May 20, 1941

Dear Sir:

There is enclosed for your information a table showing, among other things, the number and aggregate of deposits of State banks admitted to membership in the Federal Reserve System during 1940 and the first four months of 1941, together with a statement containing excerpts from the bank relations reports submitted by the Federal Reserve Banks for the month of April.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

Enclosures

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

STATE BANKS ADMITTED TO FEDERAL RESERVE MEMBERSHIP

(Deposits are in thousands of dollars)

Federal Reserve District	Banks admitted to membership during Jan. - April 1941		Banks admitted to membership during 1940		Number of nonmember commercial banks with sufficient capital stock to meet the minimum statutory requirements for Federal Reserve membership*				
	Number	Deposits	Number	Deposits	Total Number **	By size of deposits			Number on Par List
						Under \$1 million	\$1 - 10 millions	\$10 millions and over	
Boston	0	0	0	0	141	45	87	8	141
New York	21	46,300	8	12,026	224	76	126	21	224
Philadelphia	3	5,200	4	3,777	225	101	108	13	225
Cleveland	6	2,400	25	37,595	475	327	139	6	474
Richmond	3	1,100	18	21,868	394	301	86	7	232
Atlanta	1	700	3	5,298	484	415	65	2	52
Chicago	21	108,600	62	74,483	1,219	1,008	200	10	1,079
St. Louis	7	5,200	21	12,412	664	578	78	3	434
Minneapolis	0	0	9	10,382	420	391	27	0	78
Kansas City	1	200	10	14,197	487	459	28	0	402
Dallas	3***	1,100	24	21,154	282	253	29	0	174
San Francisco	2	800	4	5,125	194	138	37	9	182
Total	68	171,600	****188	218,317	5,209	4,092	1,010	79	3,697

* These figures are as of December 31, 1939, the latest date for which such data have been compiled.

** These totals include, and the distribution by amount of deposits excludes, 28 banks with no deposits or for which deposit figures were not available.

*** Includes one newly organized bank with no deposits.

**** Excludes two banks organized to succeed national banks, one organized to succeed a State member as part of a rehabilitation program, and one organized to succeed a State member whose charter had expired.

EXCERPTS FROM BANK RELATIONS REPORTS
FOR THE MONTH OF APRIL 1941

BOSTON

With a few exceptions, all banks visited expressed intention of qualifying as issuing agents for defense bonds. The few who had not intended to qualify as issuing agents propose to place customers' orders with neighboring banks, the local post office, or the Federal Reserve Bank.

NEW YORK

Columbia, Dutchess, Greene, and Putnam Counties (bordering the Hudson River)

Deposits of the 33 commercial banks aggregate \$56,000,000, of which about 45 per cent is time money, and the savings institutions have deposits of \$57,500,000. Government obligations make up more than 50 per cent of the total of securities and most of the bankers are anxious to increase their holdings further but say that they hesitate to buy at existing high prices.

The officers of one institution which has been financing the purchase of automobiles over a period of eight years, state that they have not yet had a loss.

Another bank has had a substantial increase in its personal loans since placing on the outside of the building a neon sign advertising this department and the cashier states that they are obtaining business that formerly went to the personal loan companies. Two rural banks had representatives attend the sessions of the Farm Credit School, sponsored by the New York State Bankers Association at Cornell University on March 10 and 11, and it is believed that many of the suggestions made there can be put into practice and result in more farmers' loans.

Fruit growing is the chief agricultural pursuit in Dutchess and Columbia counties. The apple growers have received poor prices during the last two years and in the opinion of many bankers their outlook is not favorable.

Genesee, Monroe, and Orleans Counties (western New York)

Deposits of the 21 commercial banks have increased slightly during the past six months and now total \$258,710,000, of which \$139,797,000, or 54 per cent, are savings or thrift accounts. As evidence of the trend toward the acquisition of Government securities, it is noted that, while six months ago the banks' portfolios were comprised of 56 per cent of such bonds, at the present time this has advanced to 70 per cent.

Due to adverse weather conditions last year, the farmers experienced one of the worst growing seasons on record. The dairy situation is described as the one bright spot in a dismal picture, as milk prices have been maintained at reasonably satisfactory levels for over a year.

Bergen County (northeast corner of New Jersey)

Deposits of 22 banks aggregate \$134,200,000 of which \$77,500,000 are savings funds. The maximum interest rate permitted on savings deposits in the State of New Jersey is one per cent. Some institutions have further reduced their interest costs by not paying interest on very small balances. United States Government issues comprise about 60 per cent of all investments.

An innovation instituted by one bank is scaled rates on mortgage loans ranging from 3-1/2 per cent on a five-year plan and running up to 4-1/2 per cent on a twenty-year plan with monthly, quarterly, or semiannual amortization. This new method has stirred up neighboring bankers who are receiving inquiries from some of their mortgagors.

The Bendix Aviation Corporation, employing about 3,500, is operating in three shifts. It has recently taken over the Hackensack Arena in Hackensack (30,000 square feet of floor space), has reopened its old Eclipse plant in Bloomfield, New Jersey, and also purchased the Atwater Kent plant in Philadelphia. In Fair Lawn, the Wright Aeronautical Corporation has a large plant to which it has recently added a new foundry. This corporation has also taken over the buildings of the National Dyeing and Printing Company in East Paterson.

PHILADELPHIA

New Jersey (four southernmost counties)

The resort business during the 1940 season was better than that of 1939 and early season activity indicates that 1941 may be the best in many years.

Asparagus is becoming more important each year and additional large acreages were said to have been planted last year. An acute shortage of farm labor, however, threatens the success of this crop, which will be ready to cut about May 1, and the probabilities are that they will be unable to harvest a goodly portion of this crop.

One factor affecting the amount of business done by the banks with the farmers is the gradual acquisition by the Seabrook Farms, Inc., either through purchase or lease, of hundreds of small farms in this section. This large scale farming concern is said now to own 12,500 acres and to be leasing an additional 12,500 acres.

Wayne County (northeastern corner of Pennsylvania)

The principal income of this county is derived from dairy farming and, as a result of more favorable prices for milk, conditions generally are improved as compared with a year ago. Current prices are somewhat less than those paid in March, which were said to have been at a ten year high.

Real estate conditions show little improvement. Many mechanics have moved to large industrial centers where steady employment at higher wages can be obtained.

Northampton County (eastern Pennsylvania, bordering New Jersey, includes Bethlehem)

Slate, which is used chiefly for roof covering, has not been able to withstand competition from cheaper and more easily handled materials, and, as a result, employment by the industry has declined 40 per cent during the past six years. The cement plants have been active for the past several years, chiefly because of large orders for cement used in the construction of the super-highway connecting Pittsburgh and Harrisburg. The present activity, which is at peak level, will, according to one banker, continue for at least two years because of the demand created by the various needs of the national defense program.

The industries at Easton and Bethlehem are busy and there is a great shortage of skilled mechanics. The largest employer of labor in this district is the Bethlehem Steel Company, which is operating 24 hours daily, employing 20,000 men, an increase of 8,000 over the corresponding period last year. The influx of workers from other parts of the State and country has caused an acute housing shortage at Bethlehem.

Milk prices have been satisfactory and the growing of alfalfa, which is increasing in importance, is profitable.

CLEVELAND

Generally speaking, the small banks are quite critical of the position of the Treasury Department in declining to sell Series F and G bonds to the banks for their own accounts. This criticism is quite keen in areas where savings and loan associations are competing freely with banks, since such associations are permitted to buy Series F and G bonds for their own accounts.

A Kentucky banker, in reply to an inquiry as to what factors contributed to a substantial gain in loan account, stated "personal solicitation". He added that he has learned that a potential borrower no longer comes to the bank, but that the banker must go to the borrower.

From central Kentucky comes a report that farmers in one county will plant about 1,000 acres of hemp this spring. Some years ago, hemp was one of the chief money crops of the State. Following the Spanish-American war, it was found that Kentucky hemp growers could not compete with growers in the Philippines, and turned to tobacco as a substitute crop. Increased demand and present difficulties incident to shipping have now made it possible to produce this crop at a profit.

RICHMOND

Maryland

In practically all sections of the State the farm labor situation is becoming acute, though it is less acute on the Eastern Shore and in the mountainous areas than elsewhere in the State.

Industries which employed more than twice as many people in March 1941, than a year earlier include: electrical machinery; plumbers' supplies; shipbuilding and repairing, and building construction.

Confronted with the tightest employment market and the largest Easter sales volume since World War days, Baltimore department stores had to call in hundreds of boys and girls from the schools in the city.

Virginia

Tobacco beds are in good condition and the supply of plants will be plentiful. Absence of frost damage has given a promising prospect for fruit crops. Both apple and peach blossoms are heavy, and the "set" of fruit promises to be good.

The duPont nylon plant at Martinsville, Virginia, now employing 1,100 workers on construction, is reported about 35 per cent completed. It is expected that this plant will be finished and in operation by fall.

Production of staple fiber is now getting under way at the newest and most modern rayon plant of the Viscose Company at Front Royal, Virginia. The plant will reach its full capacity of 50,000,000 pounds in 1942.

North Carolina

The peach harvest will be an excellent one if no damage occurs hereafter. Cabbage production, indicated at 10,000 tons, will be well above average. Strawberries are moving to market at prices above last year's average of \$3.40 a crate. Hog prices in southern markets rose notably in April as a result of the announcement that the Federal Government had pegged Chicago prices at \$9.

Defense contracts awarded in North Carolina between March 31 and April 26 amounted to \$33,412,000, which included a \$19,800,000 ship construction contract for cargo vessels to the North Carolina Shipbuilding Company at Wilmington, North Carolina, and a \$13,000,000 contract for construction of Marine Corps training facilities at New River, North Carolina.

The Wage-Hour Administration's Textile Industry Committee recommended on April 15 that a minimum wage of 37-1/2 cents an hour be established throughout the industry as against the present minimum of 32-1/2 cents an hour. It is said 90,000 workers--35,000 in North Carolina and 55,000 in South Carolina--will benefit from the proposed 5 cents an hour increase.

Reports from 91 cities and towns indicate that the eastern third of North Carolina is experiencing one of its best years in a decade. The Government will spend approximately \$75,000,000 in the section for Army and Marine bases and other establishments. Eighty-five thousand soldiers and marines will be stationed in this area and their pay will be several million dollars a month. The pay roll of men in the armed forces in the area will amount to more than the value of the tobacco crop in some years.

ATLANTA

A number of large plants are located in Gadsden, Alabama, including a steel mill, cotton mill, stove foundry, and automobile tire manufacturing plant. All industries are said to be operating on a full-time basis.

Banks in southwestern Louisiana serve an agricultural section of the State, the chief product of which is sugar. The condition of the cane crop was reported as being favorable. The coast towns of Morgan City and Patterson are experiencing a favorable seafood season.

The banks in Hazelhurst and Crystal Springs, Mississippi, serve an agricultural area in which truck farming is the principal activity. Weather conditions in this area are said to have been unfavorable and all crops are expected to be somewhat short.

CHICAGO

Seven State banks were admitted to the System, one of these having deposits of \$82,000,000.

Bankers are giving considerable attention to personnel problems at this time. They state that it is difficult to get trained clerical help. We are also advised that C. I. O. workers are trying to organize bank clerks in various parts of the District.

The large Detroit banks report that it has become necessary to establish some additional branches due either to the establishment of new industries or to the expansion of existing plants, as the banking facilities have been overtaxed in attempting to meet pay rolls and to take care of added business. This condition has been aggravated by the demand by the unions that all employees be paid on the same day. With the exception of the Ford Motor Company, the larger plants pay by check.

ST. LOUIS

Agricultural Conditions

In the section of Kentucky covered, the principal crops are tobacco, wheat, corn, oats, legumes, hay, fruits, and vegetables. Since April 1 there has been abundant precipitation and more seasonal temperatures, which have materially assisted winter wheat and other growing crops. Prospects for fruit are reported the best since 1931.

Agricultural conditions in Indiana counties visited were described as good to excellent. Reserve stocks of feed grains and fodder on farms are generally adequate to carry livestock past the next crop harvests. The Indiana supply of farm labor is reported at 72 per cent of normal, the lowest supply in the last decade. The increased mechanization of agriculture will largely offset any labor shortage. Average wages to farm labor are about 10 per cent greater than a year ago.

Industry and Trade

In all sections of Kentucky and Indiana visited conditions approximating those of boom periods prevail. There is less unemployment than in a number of years, and a shortage in some skilled trades is evident. It is estimated that the Gilbertsville Dam (T.V.A. project) monthly pay roll amounts to about \$300,000. T.V.A. has purchased Gilbertsville and is constructing a new model town two miles west of the present site. Much good farm land will be lost when the \$12,000,000 dam is completed. The surrounding country will become largely a recreational area.

Banking Conditions

One Jeffersonville bank has an agreement with the du Ponts, through a Louisville bank, to cash du Pont checks, imposing a charge of five cents each against the du Pont interests. About 1,000 checks are cashed each week. At Sellersburg, Indiana, also near the Charles-town powder plant, one banker said he keeps his bank open every other Friday night to cash pay roll checks, making a charge of ten cents on each item. This charge is not absorbed by the du Pont interests.

MINNEAPOLIS

Minnesota (southwest corner)

Worthington is the turkey raising capital. Boote's Hatchery, well known to us because of a 13b loan now paid, has constructed a new building and its incubators contained over a million eggs the day it was visited; approximately half were chicks and half turkeys. Most of the turkey eggs are shipped in from Texas and California.

Driving west on Highway No. 14, nine banks were visited. The new defense savings bond posters were not on display in any of these banks. A banker in one of the towns said that he was afraid to put up the sign because of the sentiment over a large part of the community. Another banker mentioned also that he hesitated about

displaying the sign and issuing the savings bonds. One banker said that the idea of defense bonds was not popular in his town and he had not yet asked for a consignment of those bonds.

Minnesota (east central)

Interest rates charged by the banks range from 5 to 6 per cent on farm loans and 7 to 3 per cent on chattel mortgage and accommodation loans. Virtually all the bankers are looking for an additional outlet for their funds which will provide safety and a good return.

There is some concern over a privately operated credit association at St. Cloud which bankers feel is making inroads on business that legitimately belongs to the banks. In part of the territory visited, it is asserted that individuals are lending money directly to other individuals at rates lower than those quoted by the banks.

The granite industry is active in a portion of the territory visited, and the leading granite company is working twenty-four hours a day. Bankers in this area feel this is a natural situation and stated that when people had more money to spend they were inclined to purchase cemetery monuments and other products manufactured by these companies.

Minnesota (south central)

This section of Minnesota can be classified as one of the best diversified sections of the State and crop failures are unknown. Considerable cattle feeding is done.

The nonmember banks charging exchange said that their revenue from this source has averaged from 7-1/2 to 10 per cent of their common capital, which obviously is a definite bar to membership. If exchange was not a bar to membership, nearly every banker visited who could qualify would immediately apply for membership.

North Dakota (southeastern and central sections)

Where wheat formerly was the principal product, farming is now varied, and farmers are raising turkeys and other poultry in large quantities and receiving a moderate income from eggs. They also generally receive weekly cream checks. Corn has replaced wheat in many fields. Sheep that are being shipped in do not do well the first year, because it takes about a year for them to become acclimated.

Bankers seemed somewhat concerned over the fact that they cannot purchase United States Savings Bonds, F and G series. They

considered it unfair to be expected to sell bonds for the Government and not be permitted to buy. Some bankers, especially in small communities, do not intend to apply for application to sell savings bonds, and they will refer purchasers to the post office.

KANSAS CITY

Conditions were reported to be favorable, with more than the usual amount of moisture in a large part of Arizona and western New Mexico country, resulting in excellent pasture conditions for this time of the year.

In the extreme eastern part of Nebraska, around Nebraska City and Falls City, much damage to the orchards was reported due to the early freeze last fall. In the southwestern part of the State around McCook, where wheat is the principal crop and where they have not had a crop for some time, prospects were reported very favorable.

Prospects for a heavy fruit crop in Oklahoma are excellent.

Oklahoma City has been awarded by the Government an airplane repair depot to cost approximately \$16,000,000. The depot will employ approximately 3,500 civilians and 350 officers and enlisted men will be stationed there.

DALLAS

Banks visited in North Texas, where the livestock industry furnishes the principal source for loans, are reluctant to advance funds to purchase cattle in view of the abnormally high prices prevailing in the cattle market at this time.

Prospects for feed and small grain crops are unfavorable at this time due to excessive rains. Some insect damage to wheat and oats was reported and it is feared that the crop will be short unless dryer weather prevails during the next thirty days.

SAN FRANCISCO

Crop prospects in eastern Oregon are excellent. The normal number of livestock are on the range. However, there has been a switch away from sheep to cattle.

PUBLIC RELATIONS ACTIVITIES OF FEDERAL RESERVE BANKS

April 1941

Federal Reserve Bank	Visits to Banks			Meetings Attended		Addresses Made	
	Member	Nonmember	Total	Number	Attendance	Number	Attendance
Boston	40	22	62	3	<u>1/</u>	2	300
New York	90	77	167	13	3,554	5	550
Philadelphia	69	58	127	9	2,847	9	2,847
Cleveland	152	109	261	9	2,800	7	177
Richmond	34	47	81	11	1,270	0	0
Atlanta	36	27	63	8	1,800 <u>1/</u>	4	265
Chicago	15	3	18	3	962	2	900
St. Louis	45	119	164	10	2,074	5	724
Minneapolis	131	254	385	4	209	7	751
Kansas City	19	30	49	13	2,551	1	50
Dallas	47	6	53	8	965	4	360
San Francisco	38	13	51	16	1,817	9	1,046

1/ Not completely reported.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

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R-837

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 20, 1941

Dear Sir:

There is attached a copy of the report of expenses of the main lines of the Federal Reserve Leased Wire System for the month of April 1941.

Please credit the amount payable by your Bank to the Board, as shown in the last column of the statement, to the Federal Reserve Bank of Richmond in your daily statement of credits through the Interdistrict Settlement Fund for the account of the Board of Governors of the Federal Reserve System, and advise the Federal Reserve Bank of Richmond by mail the amount and purpose of the credit.

Very truly yours,

C. E. Foulk,
Fiscal Agent.

Enclosure

TO PRESIDENTS OF ALL FEDERAL RESERVE BANKS
EXCEPT RICHMOND

R-837-a

REPORT OF EXPENSES OF MAIN LINES OF FEDERAL RESERVE
LEASED WIRE SYSTEM FOR THE MONTH OF APRIL 1941

Federal Reserve Bank	Number of Words Sent	Words Sent by N. Y. Chargeable to other F.R. Banks	Total Words Chargeable	Pro Rata Share of Total Expenses (1)	Expenses Paid by Banks and Board (2)	Payable to Board of Governors
Boston	33,093	337	33,430	\$ 580.83	\$ 339.27	\$ 241.56
New York	78,020	-	78,020	1,355.56	866.98	488.58
Philadelphia	21,044	339	21,383	371.52	244.45	127.07
Cleveland	36,262	339	36,601	635.93	256.93	379.00
Richmond	43,036	338	43,374	753.60	341.18	412.42
Atlanta	45,127	338	45,465	789.94	233.87	556.07
Chicago	71,724	378	72,102	1,252.74	1,281.23	28.49(a)
St. Louis	48,442	338	48,780	847.53	238.19	609.34
Minneapolis	21,173	337	21,510	373.73	185.06	188.67
Kansas City	40,948	338	41,286	717.33	273.01	444.32
Dallas	39,060	353	39,413	684.78	326.40	358.38
San Francisco	55,755	339	56,094	974.61	427.13	547.48
Board of Governors	339,386	-	339,386	5,896.68	10,221.08	-
Total	873,070	3,774	876,844	\$15,234.78	\$15,234.78	\$4,352.89 28.49(a) \$4,324.40

(1) Based on cost per word (\$.017374561) for business handled during the month.

(2) Payments by Banks are for personal services and supplies and payments by the Board are for personal services and supplies (\$1,214.43) and wire rental (\$9,430.00) less amount (\$423.35) representing reimbursement for the cost of sending messages between the Washington office of the Leased Wire System and the local telegraph offices of the Treasury, Reconstruction Finance Corporation, and the Commodity Credit Corporation. Personal services include salaries of main line operators and of clerical help engaged in work on main line business, such as counting the number of words in messages; also overtime and supper money and Retirement System contributions at the current service rate.

(a) Credit - Reimbursable to Chicago.

R-838

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Statement for the Press

For immediate release

May 29, 1941

The Board of Governors of the Federal Reserve System today announced the appointment of Mr. Frank D. Jackson, President of the Jackson Grain Company, Tampa, Florida, as a director of the Jacksonville Branch of the Federal Reserve Bank of Atlanta for the unexpired portion of the term ending December 31, 1943.

The Board also announced the appointment of Mr. Lloyd Noble, President of the Noble Oil Company, Ardmore, Oklahoma, as a director of the Oklahoma City Branch of the Federal Reserve Bank of Kansas City for the unexpired portion of the term ending December 31, 1942.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

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R-839

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 29, 1941

Dear Sir:

For your information there is enclosed here-
with a copy of a statement used by the Board's General
Counsel in testifying recently before a subcommittee
of the Senate Committee on the Judiciary regarding
three pending bills to reform the procedure in the ex-
ecutive departments and administrative agencies of the
Government.

It is sent in this form because it has been
learned that it will be some time before the reports
of the hearings will be published.

Very truly yours,

A handwritten signature in cursive script that reads "Chester Morrill".

Chester Morrill,
Secretary.

Enclosure

LETTER TO THE CHAIRMEN AND PRESIDENTS OF ALL FEDERAL
RESERVE BANKS AND MEMBERS OF THE FEDERAL ADVISORY
COUNCIL.

(Enclosure with addressed copies only)

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

STATEMENT FOR THE PRESS

For immediate release

June 4, 1941

The Board of Governors of the Federal Reserve System today announced the appointment of Mr. Walter H. Lloyd, Jr., editor of The Ohio Farmer, Cleveland, Ohio, as a Class C director of the Federal Reserve Bank of Cleveland for the unexpired portion of the term ending December 31, 1941.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



June 4, 1941

Dear Sir:

There is enclosed for your information a copy of a letter dated May 26, 1941 received from Mr. Roger C. Wilde, Special Assistant, Defense Contract Service, with respect to a circular letter (copy enclosed) sent out by the Federal Reserve Bank of Richmond on May 3, 1941.

Very truly yours,

A handwritten signature in cursive script that reads "Ernest G. Draper".

Ernest G. Draper

Enclosures 2

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS
EXCEPT RICHMOND

(CIRCULAR ENCLOSURE WITH ADDRESSED COPIES ONLY)

C O P Y

R-841a

OFFICE OF PRODUCTION MANAGEMENT

Social Security Building
Washington, D. C.

May 26, 1941

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

Dear Governor Draper:

I am attaching a copy of a circular letter, ND 5, which was sent out by the Federal Reserve Bank of Richmond on May 3, 1941.

This circular contains interesting information about the organization and personnel in the Defense Contract Service offices in the Fifth Federal Reserve District and is an excellent form of publicity. For that reason I would like to suggest that you might send copies of this circular letter to the presidents of the other eleven Federal Reserve Banks with the suggestion that they might want to send out a similar circular letter to the commercial banks in their districts.

Very truly yours,

(Signed) Roger C. Wilde

Roger C. Wilde
Special Assistant
Defense Contract Service

Enclosure

R-842

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

STATEMENT FOR THE PRESS

For immediate release

June 6, 1941

The Board of Governors of the Federal Reserve System today announced the appointment of Mr. Randolph E. Paul, a member of the law firm of Lord, Day & Lord, New York, New York, as a Class C director of the Federal Reserve Bank of New York for the unexpired portion of the term ending December 31, 1943.

R-843

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

STATEMENT FOR THE PRESS

For immediate release

June 11, 1941

The Board of Governors of the Federal Reserve System today announced the appointment, effective July 1, 1941, of Mr. Winfield W. Riefler, Institute for Advanced Study, Princeton, New Jersey, as a Class C director of the Federal Reserve Bank of Philadelphia for the unexpired portion of the term ending December 31, 1941.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-844

239

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 13, 1941

Dear Sir:

There have been forwarded to you today under separate cover copies of form F. R. 107 to be used by State bank members in submitting their reports of earnings and dividends for the six months ending June 30, 1941. The form is unchanged from the one used in submitting reports for the six months ended December 31, 1940.

Very truly yours,

A handwritten signature in cursive script, appearing to read "S. R. Carpenter".

S. R. Carpenter,
Assistant Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

240

R-845

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD


June 17, 1941

Dear Sir:

There is attached a copy of the report of expenses of the main lines of the Federal Reserve Leased Wire System for the month of May 1941.

Please credit the amount payable by your Bank to the Board, as shown in the last column of the statement, to the Federal Reserve Bank of Richmond in your daily statement of credits through the Interdistrict Settlement Fund for the account of the Board of Governors of the Federal Reserve System, and advise the Federal Reserve Bank of Richmond by mail the amount and purpose of the credit.

Very truly yours,


O. E. Foulk,
Fiscal Agent.

Enclosure

TO PRESIDENTS OF ALL FEDERAL RESERVE BANKS
EXCEPT RICHMOND

REPORT OF EXPENSES OF MAIN LINES OF FEDERAL RESERVE
LEASED WIRE SYSTEM FOR THE MONTH OF MAY 1941

Federal Reserve Bank	Number of Words Sent	Words Sent by N. Y. Chargeable to Other F.R. Banks	Total Words Chargeable	Pro Rata Share of Total Expenses (1)	Expenses Paid by Banks and Board (2)	Payable to Board of Governors
Boston	34,454	394	34,848	\$ 573.80	\$ 273.86	\$ 299.94
New York	87,767	-	87,767	1,445.16	871.03	574.13
Philadelphia	25,678	396	26,074	429.33	241.17	188.16
Cleveland	39,586	396	39,982	658.34	327.42	330.92
Richmond	49,290	394	49,684	818.09	335.78	482.31
Atlanta	47,583	394	47,977	789.99	236.03	553.96
Chicago	73,082	446	73,528	1,210.70	1,241.39	30.69(a)
St. Louis	49,793	394	50,187	826.37	268.33	558.04
Minneapolis	22,516	394	22,910	377.23	185.06	192.17
Kansas City	44,310	394	44,704	736.09	273.01	463.08
Dallas	42,767	438	43,205	711.41	326.47	384.94
San Francisco	56,501	396	56,897	936.86	418.72	518.14
Board of Governors	354,686	-	354,686	5,840.22	10,355.32	-
Total	928,013	4,436	932,449	\$15,353.59	\$15,353.59	\$4,545.79 30.69(a) \$4,515.10

(1) Based on cost per word (\$.016465876) for business handled during the month.

(2) Payments by Banks are for personal services and supplies and payments by Board are for personal services and supplies (\$1,157.98) and wire rental (\$9,611.97) less amount (\$414.63) representing reimbursement for the cost of sending messages between the Washington office of the Leased Wire System and the local telegraph offices of the Treasury, Reconstruction Finance Corporation, and the Commodity Credit Corporation. Personal services include salaries of main line operators and of clerical help engaged in work on main line business, such as counting the number of words in messages; also overtime and supper money and Retirement System contributions at the current service rate.

(a) Credit--reimbursable to Chicago.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

242

R-846

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 18, 1941

Dear Sir:

On Friday, July 4, the offices of the Board of Governors of the Federal Reserve System and of Federal Reserve Banks and branches will be closed in observance of Independence Day.

The Board has also been advised that holidays will be observed in the month of July by the following offices:

July 14 (Monday)	Nashville Memphis	In Observance of General Forrest's Birthday
July 24 (Thursday)	Salt Lake City	Pioneer Day

On the dates mentioned the offices concerned will not participate in the transit clearings through the Interdistrict Settlement Fund. Please include transit clearings for the offices affected on each of the holidays with your clearings for the following business day. Please notify branches.

Very truly yours,

F. A. Nelson,
Assistant Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

243

R-847

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 18, 1941

Dear Sir:

The present distribution of Bulletin reprints to the Federal Reserve Banks is based upon replies to Mr. Morrill's letter of June 8, 1940.

We are revising this mailing list and should like to know whether the use made by your Bank of the reprints would suggest a change in the number of copies of each new reprint that should be sent to you as a matter of routine and, if so, the number you would like to receive. Of course, additional copies may be requested at any time.

Very truly yours,

S. R. Carpenter,
Assistant Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

STATEMENT FOR THE PRESS

For release in morning papers,
Friday, June 20, 1941

The following summary of general business and financial conditions in the United States, based upon statistics for May and the first half of June, will appear in the July issue of the Federal Reserve Bulletin and in the monthly reviews of the Federal Reserve Banks.

After a slight decline in April industrial activity increased sharply in May and the first half of June. Wholesale commodity prices showed a further considerable advance and retail prices also increased. Distribution of commodities to consumers was maintained in large volume.

Production

Volume of industrial output increased sharply in May, following a decline in April, and the Board's seasonally adjusted index rose to 149 per cent of the 1935-1939 average, as compared with 140 in April and 143 in March. The decline in April had reflected mainly reduced output of bituminous coal and automobiles occasioned by shutdowns accompanying industrial disputes. These were settled during the month and in May and the first half of June output in these industries rose to the high levels prevailing earlier.

In a number of other lines activity increased steadily throughout the spring months, particularly in the machinery, aircraft,

and shipbuilding industries. Steel production was maintained at 99 per cent of capacity, except for a short period during late April and early May when output was reduced somewhat owing to a shortage of coal. Output of nonferrous metals also continued near capacity; deliveries of foreign copper in May increased to 49,000 tons, amounting to about one-third of total deliveries to domestic consumers. Toward the end of the month, as it became apparent that combined military and civilian need for these metals would soon greatly exceed available supplies, a General Preference Order covering all iron and steel products was issued by the Priorities Division of the Office of Production Management and in June mandatory priority controls were established for copper and zinc.

Textile production rose further in May, reflecting increased activity at cotton, wool, and rayon mills. A continued rise in output of manufactured food products was likewise reported and activity in the chemical and shoe industries was maintained at earlier high levels, although usually there is a considerable decline at this season. Petroleum production increased, and output of anthracite also advanced following some curtailment in April. Iron ore shipments amounted to 11,000,000 tons in May, a new record level and near the shipping capacity of the present Lake fleet.

Value of construction contract awards rose sharply in May, reflecting increases in both public and private construction, according to F. W. Dodge reports. Awards for private residential and

nonresidential building increased more than seasonally, and contracts for defense projects continued in large volume.

Distribution

Distribution of commodities to consumers was sustained at a high level in May. Department store sales showed a further rise, while sales at variety stores declined by slightly more than the usual seasonal amount. Retail sales of new automobiles continued at the high April level and sales of used cars rose further.

Freight-car loadings increased sharply in May, reflecting a marked rise in coal shipments and a further expansion in loadings of miscellaneous freight. In the first half of June total loadings were maintained at the advanced level of other recent weeks.

Commodity prices

Wholesale prices of a number of agricultural and industrial commodities showed further increases from the middle of May to the middle of June and the general index of the Bureau of Labor Statistics advanced two points to 87 per cent of the 1926 average. Federal action to limit price increases was extended to some consumer goods, principally new automobiles, hides, and certain cotton yarns. In retail markets prices of most groups of commodities have advanced, reflecting in part increases in wholesale prices earlier this year.

Bank credit

Commercial loans at reporting banks in 101 cities continued to rise during the four weeks ending June 11. Bank holdings of United

States Government securities increased further, chiefly through the purchase of bills by New York City banks and of bonds by banks in other leading cities. As a result of the expansion in loans and investments bank deposits continued to increase.

United States Government security prices

Following a rise in the latter part of May Treasury bond prices declined slightly in the first half of June. On June 14 the 1960-65 bonds were $\frac{7}{8}$ of a point below the all-time peak in prices of December 10. Yields on both taxable and tax-exempt 3- to 5-year notes declined slightly from the middle of May to the middle of June.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-849

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 19, 1941



Dear Sir:

There is enclosed for your information a table showing, among other things, the number and aggregate of deposits of State banks admitted to membership in the Federal Reserve System during 1940 and the first five months of 1941, together with a statement containing excerpts from the bank relations reports submitted by the Federal Reserve Banks for the month of May.

Very truly yours,

A handwritten signature in cursive script, appearing to read "L. P. Bethea".

L. P. Bethea,
Assistant Secretary.

Enclosures

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

STATE BANKS ADMITTED TO FEDERAL RESERVE MEMBERSHIP

R-849-a

(Deposits are in thousands of dollars)

Federal Reserve District	Banks admitted to membership during Jan. -- May 1941		Banks admitted to membership during 1940		Number of nonmember commercial banks with sufficient capital stock to meet the minimum statutory requirements for Federal Reserve membership*				
	Number	Deposits	Number	Deposits	Total Number **	By size of deposits			Number on Par List
						Under \$1 million	\$1 - 10 millions	\$10 millions and over	
Boston	0	0	0	0	141	45	87	8	141
New York	24	51,515	8	12,026	224	76	126	21	224
Philadelphia	5	6,678	4	3,777	225	101	108	13	225
Cleveland	7	4,390	25	37,595	475	327	139	6	474
Richmond	5	2,184	18	21,868	394	301	86	7	232
Atlanta	1	700	3	5,298	484	415	65	2	52
Chicago	24	110,272	62	74,483	1,219	1,008	200	10	1,079
St. Louis	8	6,070	21	12,412	664	578	78	3	434
Minneapolis	0	0	9	10,382	420	391	27	0	78
Kansas City	1	200	10	14,197	487	459	28	0	402
Dallas	3***	1,100	24	21,154	282	253	29	0	174
San Francisco	2	800	4	5,125	194	138	37	9	182
Total	80	183,909	****188	218,317	5,209	4,092	1,010	79	3,697

* These figures are as of December 31, 1939, the latest date for which such data have been compiled.

** These totals include, and the distribution by amount of deposits excludes, 28 banks with no deposits or for which deposit figures were not available.

*** Includes one newly organized bank with no deposits.

**** Excludes two banks organized to succeed national banks, one organized to succeed a State member as part of a rehabilitation program, and one organized to succeed a State member whose charter had expired.

R-849-b
June 19, 1941
Not for publication

EXCERPTS FROM BANK RELATIONS REPORTS
FOR THE MONTH OF MAY 1941

BOSTON

Only one community in Vermont is directly affected by industrial activity incident to the defense program.

Outside of a few of the larger communities, bankers reported little or no activity in the sale of defense bonds. Bankers believe, however, that following the semiannual interest date savings bank depositors will increase their bond purchases.

NEW YORK

Somerset and Union Counties, North Central New Jersey

All banking institutions in these counties are cooperating in the program of selling United States Defense Savings Bonds. . . .

Many of the banks in this territory have installed a photographic system of handling checks and several have been forwarding their out-of-town items to their city correspondent without the description we require. The officers of some of these banks indicate that their institutions will return to their previous practice of forwarding checks to us as soon as we are in position to accept them without description.

One large trust company (deposits \$15,000,000) has filed an application for membership within the last month. . . .

The Chamber of Commerce in Plainfield continues to receive inquiries from concerns which would like to locate in the Plainfields, but industrial space is not available....

PHILADELPHIA

The anthracite mines, while at present experiencing seasonal inactivity, have been busier than for several years and are expected to resume operations on a larger scale than at present when the summer price schedule is fixed. However, one banker stated that the miners have worked only an average of 150 days a year since 1931, which is insufficient for prosperous times in the mining district. . . .

CLEVELAND

Series E defense bonds are not being sold in the volume that had been hoped for. In many communities the reason has been stated to be "lack of confidence"; in others, "lack of negotiability". . . . In two Ohio River counties, just outside Cincinnati, not a single non-member bank has qualified. . . . In several other instances where banks have qualified, they report no sales, few or no inquiries....

In a section (northern Kentucky) from which many reports of competition of Government lending agencies have been received, it is reported that the banks in the principal city have an agreement to charge borrowers a flat 6 per cent rate. While loan totals have been holding fairly well, opportunities to make good loans are being lost, and the more desirable borrowers are going elsewhere. . . .

RICHMONDMaryland

Sea foods have been in abundance this year. The oyster season just closed has been the most profitable in the past twenty years

The timber industry on the Eastern Shore has begun an intense revival, after a decade of dormancy, under the influence of the national defense program and a resulting tripling of prices. Local timber is used principally for piling.

Virginia

Timely rains last week, which were distributed fairly evenly over the whole of Virginia, came just in time to save the crops of the State from being a total loss. . . .

West Virginia

Frosts in the second week of May, and subfreezing temperatures caused a great deal of damage to West Virginia garden crops.... Tomatoes were reported to be ruined, while corn and potatoes suffered heavily. Grapes were "wilted" by the killing frosts.

The recommendation of the National Defense Mediation Board that the 40-cent wage differential be eliminated between northern and southern mines affects only those workers paid by the day who handle timber, lay tracks, and handle hoists, and those who work on the

surface outside, while the bulk of the men who are paid by the ton are not affected since tonnage differential of 15 cents is to remain in effect.

North Carolina

Crops that will bring farmers millions of dollars in the fall were saved by the rainfall at the turn of June. Tobacco and corn plants were on the verge of wilting when the rain set in. . . .

The North Carolina peach crop, indicated at 2,430,000 bushels, will be the largest in ten years and 81 per cent higher than last year.

Machinery companies selling equipment for textile mills are in many cases sold ahead into next year. Textile machinery concerns say some textile mills are completing modernization programs. In the first four months of the current year there have been nine new textile plants established and thirty additions to those already existing. New hosiery mills constituted a large item in each.

South Carolina

The Pee Dee Experiment Station reports an extraordinarily heavy boll weevil infestation in the making; the winter was mild--just the kind of winter boll weevil like.

Production this year of 3,315,000 bushels of peaches makes South Carolina the third ranking peach State in the nation. This is by far the largest crop of peaches ever produced in the State.

ATLANTA

Twenty-three banks in Southern Alabama were visited during May. Most of these banks are located in strictly agricultural areas in which cotton is the principal money crop. Diversification of agricultural crops has been encouraged by bankers in this section during recent years and there has also been considerable development of the livestock industry. Peanuts, strawberries, corn, Irish potatoes, and hay are now produced quite extensively....

CHICAGO

Sales of defense savings bonds to date (June 1) approximate \$65,000,000, divided:

Series G - \$44,000,000

Series F - 11,000,000

Series E - 10,000,000

Of the \$10,000,000 of E bonds, approximately \$7,250,000 of these sales were made by issuing agents of which there are about 1700 in this district.

In response to the Treasury's telegram asking for comments on proposed tax anticipation certificates, investigation indicates only a mild degree of interest at this time. The smaller taxpayers are not yet aware of the heavy increase that will be made in taxes and there would probably be only a limited demand for the certificates from this group without a publicity campaign. This might detract public attention from Savings bonds and tend to confuse the general public by adding one more type of Government security; furthermore, that this type of taxpayer would probably not be interested in the certificates unless they brought a yield comparable to savings account interest which in this district runs from one to two per cent. With reference to the large taxpayers, it was suggested the amount of the certificates be increased to \$10,000 maximum with a rate of 1/2 per cent interest.

Increases in prices for agricultural products, substantial gains in the building materials industry, restoration of steel production to capacity levels, resumption of coal mining, record sales of automobiles, continued advances in trade, both wholesale and retail, and a sustained demand for commercial loans featured activity in the Seventh Federal Reserve district during May. . . . Prices for most agricultural products moved up during May. Grain products were particularly strong, but this was only a natural reaction to the anticipated passage of the parity bill. By mid-May, corn prices were the highest they have been since 1937. . . . Cheese prices were at the best levels since 1930. . . . Production of American cheese in Wisconsin was up 6 per cent over last year. Hog prices, which were being supported at \$9.00 a hundred, have forged ahead of that price and on several days the average reached \$9.40. . . . Beef prices have been weak, although prices are much better than they were a year ago.

Production of passenger cars and trucks thus far this year has exceeded production of any similar period in the past eleven years. Dealers' stocks, however, are estimated to be below what they were a year ago. Probably the most significant development in the labor situation was the gaining of bargaining rights by the CIO union at the election held in the Ford Motor plants. . . . Attendance at the American Furniture Mart was more than 25 per cent ahead of any previous mid-season event. . . . For the four weeks ending May 24, department store sales for the district were up 16 per cent over the comparable period a year ago.

ST. LOUIS

In southern Indiana prospects for wheat and barley are from good to excellent, in fact much better than in the more northern counties. Outlook for fruit is the best in more than a decade. . . . Condition of pastures is reported well above the ten-year average. Carryover of hay is large. Egg and milk production this spring was unusually large. . . .

The cashier of an Indiana national bank commented upon the fact that nonmember State banks in Indiana have in recent years published fewer call reports than have the national banks. He strongly feels that when the Comptroller's office issues a call, other supervising agencies should do likewise.

A Kentucky bank officer commented to the effect that people in his county were not yet awake to the dangers of the present situation in Europe and that it will take an intensive sales campaign or a declaration of war to increase bond sales.

MINNEAPOLIS

North and South Dakota and West Central Minnesota

Crop conditions throughout the territory visited are perhaps the best in a great number of years. Subsoil moisture of from three to four feet abounds throughout the entire area with virtually all the crops planted. . . .

This territory, principally the North Dakota section, up to 1920 was primarily a wheat country, but thereafter began diversifying its crops. . . . Bankers in the territory have advocated the placing of small bands of sheep on each farm, as well as brood sows and poultry, and in mostly every case the results have been exceptionally good. . . .

Many of the banks now have a surplus of funds through liquidation of their wheat loans. In some cases, however, because of a good demand for local loans banks were unable to handle wheat loans. . . . A great number of tractors have been sold in this territory. In no case was it reported that a bank suffered a loss. . . . Banks' experience in handling automobile paper is equally as good. One banker stated that he had notified all automobile dealers in his community that he would not accept from them any automobile installment paper which ran for a period longer than twelve months.

There is little demand for defense savings bonds. . . . Many people in this territory can not forget the severe losses suffered

during the drouth years of 1934-1936 when their crops were destroyed and a good portion of the cattle had to be disposed of. It is only within the last few years that many of them have been able to purchase additional livestock; consequently they have no surplus funds with which to purchase defense bonds even if they wished to.

Two bankers said they did not wish to qualify for the sale of these bonds because of the adverse effect of withdrawals upon their deposits which they had built up at great pains over a long period of time. . . .

Under certain conditions, the laws of South Dakota permit State banks to operate exchanges. Approximately twenty-five banks in South Dakota operate one or more exchanges. . . . Very few of these stations controlled deposits in any great amount and many stations are operated solely to eliminate the possibility of new banks being chartered.

Northern Wisconsin and the Upper Peninsula of Michigan

Editors of twenty-six newspapers were called upon.... The trips made during 1940 together with a short study made during the winter of 1940-41, which indicated that the large weekly papers are not being displaced by the dailies and the radio, resulted in the present policies: that editors of all daily papers and weekly papers of over 2,000 circulation will be called upon at least once during a year; that short news releases covering business conditions in localities throughout the Ninth District would be mailed to these papers regularly and that the services of our statistical department would be open to editors in this district. . . .

In addition to calling on the twenty-six editors, nine banks, twenty department stores, and eleven city clerks were called on in an effort to secure additional data for certain localities. In northern Wisconsin and Michigan there were six cities with newspapers large enough to be called upon which were not reporting bank debits. The nine banks in these cities were all very willing to report debits to us so that their local editors would have the information to use.

KANSAS CITY

Almost without exception small banks reported that there was no interest in the new defense bonds in their communities. . . . The defense bonds went on sale May 1 and at the close of business June 7, 1941, a total of \$13,922,150 had been sold in the Tenth District. Of this amount \$3,601,950 were of Series E, \$3,365,700 were of Series F, and \$11,554,000 were of Series G. . . .

There is very little money in most of these rural communities and many people are in debt. Nearly all parts of this district have been drought stricken for years and any new income that is currently accruing because of better farm conditions is sorely needed for paint, harness, clothing, farm machinery, and many other things. There appears also to be a widespread feeling that before long compulsion will be resorted to in selling Government securities and there is a disposition to wait until that time comes. . . . Almost everywhere there is outspoken criticism of the failure of the Government to reduce sharply nondefense spending. . . .

The demand for money in the cattle country is good, the loans of many banks in those communities being larger than their deposits. A good many country banks are borrowing from their correspondents and others expect to rediscount soon, this being especially true of small banks that have many livestock customers. . . .

DALLAS

Northwest Texas

This entire section has received the heaviest rainfall in years, consequently prospects for crops were never more promising. The wheat crop is one of the best in years. . . . The Irish potato crop in one county has been developed during the past three years to where it is one of the most important sources of income. Approximately 7,000 acres have been planted this year and it is estimated that the crop, at present price, will sell for \$2,800,000. . . . The ranges are fairly well stocked and cattle are in excellent condition.

A recent increase in the price of oil has stimulated activity and will bring about considerable drilling operations.

Considerable complaint was registered by the banks visited against the competitive activities of the Production Credit Associations. A few banks have reduced their rates to meet this competition and are doing a lot of missionary work among their customers.

SAN FRANCISCO

Umpqua River Valley, Oregon

The number of sheep has increased in last few years. Outlook for profitable year to livestock operators. Lumber mills are all operating.

PUBLIC RELATIONS ACTIVITIES OF FEDERAL RESERVE BANKSMay 1941

Federal Reserve Bank	Visits to Banks			Meetings Attended		Addresses Made	
	Member	Nonmember	Total	Number	Attendance	Number	Attendance
Boston	38	17	55	2	<u>1/</u>	6	570
New York	59	28	87	12	4,020	1	150
Philadelphia	38	16	54	12	3,547 <u>1/</u>	12	3,547 <u>1/</u>
Cleveland	127	67	194	13	3,180	7	496
Richmond	16	25	41	14	3,595	4	269
Atlanta	24	19	43	6	1,629	3	818
Chicago	19	7	26	22	6,360	10	2,002
St. Louis	30	66	96	13	5,360	5	1,500
Minneapolis	99	135	234	4	975	7	1,030
Kansas City	50	40	70	9	4,960	2	350
Dallas	57	10	67	6	2,125	1	700
San Francisco	16	3	19	25	3,700	5	885

1/ Not completely reported.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

258

R-850

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 24, 1941

Dear Sir:

There are being forwarded to you today under separate cover copies of pages 22-B and 28 of Form E and copies of pages 106 and 121-h (and revised page of Table of Contents) of the "Manual of Instructions Governing the Preparation of Functional Expense Reports (Form E)". These pages have been revised in order to provide for a new unit, "National Defense--Priorities Division" and for reporting the number and amount of Defense Savings Bonds sold by Issuing Agents. An additional copy of each of these pages is enclosed for your information.

Very truly yours,

E. L. Smead, Chief,
Division of Bank Operations.

Enclosures.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

259

R-851

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 26, 1941

Dear Sir:

There is attached a copy of a resolution adopted by the Board of Governors of the Federal Reserve System levying an assessment upon the various Federal Reserve Banks in an amount equal to three hundred and eighty-seven thousandths of one per cent (.00387) of the total paid-in capital stock and surplus (Section 7 and Section 13b) of the Federal Reserve Banks as of the close of business June 30, 1941, to defray the estimated expenses and salaries of the members and employees of the Board from July 1 to December 31, 1941.

The resolution also contains instructions with regard to the manner in which the payments on the assessment shall be deposited with the Federal Reserve Bank of Richmond.

It will be noted from paragraph (2) of the resolution that of the assessment 34-1/2% is to be paid on July 1, 34-1/2% on September 2, and the remainder, 31%, at such times and in such amounts as the Board may call for the payment thereof during the second half of 1941. Provision for payments is made in this manner for the reason that the total assessment includes an estimate of \$387,067 (in addition to obligations already incurred for architect's fees and incidental expenses) to cover expenditures which may be required during the second half of this year for construction of the proposed addition on the Board's existing property, which was discussed at the last conference of the Presidents. Payments on this portion of the assessment will not be required, however, unless and until the Board decides that a contract should be let for the construction of the building.

Very truly yours,

O. E. Foulk,
Fiscal Agent.

Enclosure

RESOLUTION LEVYING ASSESSMENT

WHEREAS, Section 10 of the Federal Reserve Act, as amended, provides, among other things, that the Board of Governors of the Federal Reserve System shall have power to levy semiannually upon the Federal Reserve Banks, in proportion to their capital stock and surplus, an assessment sufficient to pay its estimated expenses and the salaries of its members and employees for the half year succeeding the levying of such assessment, together with any deficit carried forward from the preceding half year, and

WHEREAS, it appears from a consideration of the estimated expenses of the Board of Governors of the Federal Reserve System that for the six months' period beginning July 1, 1941, it is necessary that a fund equal to three hundred and eighty-seven thousandths of one per cent (.00387) of the total paid-in capital stock and surplus (Section 7 and section 13b) of the Federal Reserve Banks be created for such purposes, exclusive of the cost of printing, issuing and redeeming Federal Reserve notes:

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, THAT:

(1) There is hereby levied upon the several Federal Reserve Banks an assessment in an amount equal to three hundred and eighty-seven thousandths of one per cent (.00387) of the total paid-in capital and surplus (Section 7 and Section 13b) of each such Bank at the close of business June 30, 1941.

(2) Thirty-four and a half per cent (34-1/2%) of such assessment shall be paid on July 1, 1941; thirty-four and a half per cent (34-1/2%) thereof shall be paid on September 2, 1941; and the remainder, thirty-one per cent (31%), shall be paid at such times and in such amounts as the Board may call for the payment thereof during the six months' period ending December 31, 1941.

(3) Every Federal Reserve Bank except the Federal Reserve Bank of Richmond shall pay such assessment by transferring the amount thereof on the dates as above provided through the Interdistrict Settlement Fund to the Federal Reserve Bank of Richmond for credit to the account of the Board of Governors of the Federal Reserve System on the books of that Bank, with telegraphic advice to Richmond of the purpose and amount of the credit, and the Federal Reserve Bank of Richmond shall pay its assessment by crediting the amount thereof on its books to the Board of Governors of the Federal Reserve System on the dates as above provided.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

STATEMENT FOR THE PRESS

For immediate release

June 27, 1941

The Board of Governors of the Federal Reserve System today announced that Warren F. Whittier, Farmer, Dairyman and Cattle Breeder, Douglassville, Pennsylvania, had been designated Deputy Chairman of the Federal Reserve Bank of Philadelphia for the remainder of the current year to succeed Alfred H. Williams who resigned effective July 1 to become President of the Federal Reserve Bank. Mr. Whittier has served as a Class C director of the Bank since his appointment as such on December 1, 1939.

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

January 3, 1941

Mr. _____, Vice President,
Federal Reserve Bank of _____,
_____, _____.

Dear Mr. _____:

This refers to your letter of December 24, 1940 inquiring whether certain loans made to Mr. (A), President of the _____ Trust Company, _____, _____, and held as assets of a voluntary trust of which such bank is trustee are in violation of section 22(g) of the Federal Reserve Act.

Your letter states that on May 16, 1936 Mr. (A), then Vice President of the bank, borrowed a sum of money from Mr. (B), a director of the bank, the balance of which is now \$10,000. Subsequent to the granting of the loan Mr. (B) caused the note to be set up along with other assets in a voluntary trust which had been created in 1935 with the member bank as trustee. In February 1940 an additional loan, the balance of which is \$2,100, was made by Mr. (B) to Mr. (A) and the note representing this loan was added to the same trust. You state that the trust is regarded by Mr. (A) as a sort of agency and provides not only for additions and revocation but also for direction as to investment by the donor.

As you know, the Board, in its letter of March 20, 1936 (X-9528), took the position that the restrictions contained in section 22(g) of the Federal Reserve Act and the Board's Regulation O include loans to executive officers of member banks from trust funds administered by such banks. However, the Board stated in its letter of May 20, 1938 (S-98) that it would not interpose any objection to a transaction by which a member bank, as trustee, acquired a note of one of its executive officers, in the light of the facts stated in such letter.

It appears from your letter of December 24, 1940, that the executive officer in this case did not borrow trust funds which were being administered by the bank and that the donor of the trust, who made the loans from his personal funds, placed the notes evidencing such loans in the trust in accordance with his rights reserved in

the trust instrument to direct the investment of the trust funds. In these circumstances and upon the assumption that the transactions were entered into in good faith and not for the purpose of evading the statute, it does not appear to the Board that they constitute violations of the law. It is noted, however, that your bank has advised the member bank that a violation of the law is involved, and if, after further consideration of the matter with your Counsel in the light of all the information that may be available to you, it is still your view that the transaction is one which falls within the prohibitions of the statute, we will be glad to have you take the matter up again with the Board with a statement of your views and those of your Counsel.

It does not appear that an interpretation of Regulation F is involved since _____ Trust Company is a State institution and is not subject to a condition of membership comparable to the provisions of such regulation which relate to the investment of trust funds in obligations of officers of the trustee bank.

Very truly yours,

(Signed) L. P. Bethea

L. P. Bethea,
Assistant Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-251

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 5, 1941



Dear Sir:

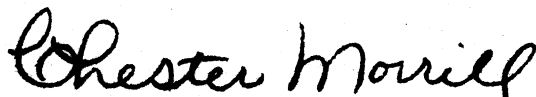
With its letter R-566 of December 4, 1939, the Board enclosed a copy of a letter to the Chairman of the Presidents' Conference, to which was attached a proposed circular letter to all Federal Reserve Banks, which was intended to supersede its letter S-7 of June 24, 1937, with respect to separation allowances and special contributions to the Retirement System, and its letter X-9798 of January 21, 1937, with respect to the retention of officers and employees in service after the attainment of age 65. In the letter to the Chairman of the Presidents' Conference the Board stated that before reaching any decision in regard to the proposed circular letter it would appreciate receiving the opinion of the Presidents on the suggested changes and asked that the subject be placed on the program for discussion at the forthcoming Presidents' Conference. It is understood that this matter was considered by the Presidents' Conference and referred to a committee of that Conference for study.

Recently the Board has had occasion to give some further consideration to this subject and has instructed me to advise you that the special contribution to the Retirement System for the purpose of supplementing retirement allowances authorized by its letter S-7 of June 24, 1937, was for the purpose of preventing in any case in so far as possible and within reasonable limits any hardship or injustice that might result from the payment of retirement allowances that would otherwise be too small. It was not its intention that the retirement allowances of officers or employees voluntarily resigning to accept other employment should be supplemented by contributions on the part of the employing banks.

In order that there may be no misunderstanding with respect to this matter, pending a general review of the benefits of the Retirement System, the Board amends its letter S-7 of June 24, 1937, to provide that no special contribution shall be made to the

Retirement System for the benefit of, and no separation allowance shall be paid to, an officer or employee who voluntarily resigns to accept other employment.

Very truly yours,

A handwritten signature in cursive script that reads "Chester Morrill".

Chester Morrill,
Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

February 15, 1941

Mr. _____, Vice President,
Federal Reserve Bank of _____,
_____, _____.

Dear Mr. _____:

This refers to your letter of January 30, 1941, with enclosures, requesting the Board's views with respect to the question whether a deposit carried by the _____ State Bank of _____, _____, in the name of _____, Inc., may properly be classified as a savings deposit within the meaning of the Board's Regulation Q.

It is understood that _____, Inc., is a nonprofit organization and that its purpose apparently is to effect a reduction in the cost of electricity used by its members. It is noted also that according to the cashier of the _____ State Bank of _____ the organization has no capital stock; that it has received a direct loan from the Government the proceeds of which have been used to build lines for distribution of electric power; and that the organization's entire earnings are applied to expenses and to the retirement of this loan.

Regardless of the fact that _____, Inc., may not be operated for profit, it does not appear that the organization is operated primarily for "religious, philanthropic, charitable, educational, fraternal or other similar purposes" within the meaning of the definition of a "savings deposit" contained in Regulation Q. Accordingly, it is the view of the Board that a deposit of _____, Inc., may not properly be classified as a savings deposit under the Regulation.

Very truly yours,

(Signed) L. P. Bethea

L. P. Bethea,
Assistant Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 11, 1941

Dear Sir:

The Office of the Under Secretary of War from time to time requests the Board to obtain confidential information from the Federal Reserve Banks as to management, responsibility, and financial condition of construction concerns to which the War Department is considering awarding substantial construction contracts.

It is believed by the Office of the Under Secretary of War more desirable in the case of construction contracts negotiated by the Engineer Corps of the Army to have this information made available to the Engineer Corps when it is investigating a concern in connection with a construction project rather than after the contract has been presented to the Under Secretary for approval.

The War Department is issuing instructions to the District and Division Contracting Officers of the Engineer Corps, suggesting that they obtain from Federal Reserve Banks or branches confidential reports as to the management, responsibility, and financial condition of proposed contractors being considered for construction contracts.

Under this arrangement, in all probability, you will be visited from time to time by officers of the Engineer Corps, requesting you to assist them. Your cooperation will be very much appreciated.

Very truly yours,

A handwritten signature in cursive script that reads "Ernest G. Draper".

Ernest G. Draper



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-254
Sec. 5136 R.S.-17

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 12, 1941

Dear Sir:

For your information there are enclosed herewith copies of certain correspondence between the President of the Federal Reserve Bank of Cleveland, the Board of Governors, and the Comptroller of the Currency with reference to certain questions regarding the applicability of section 5136 and section 5200, United States Revised Statutes, to the acquisition by member banks of assignments of claims arising under Emergency Plant Facilities Contracts. The following are the letters copies of which are enclosed:

Letter from the President of the Federal Reserve Bank of Cleveland dated November 29, 1940, with a copy of its enclosure;

Letter from the Board to the President of the Federal Reserve Bank of Cleveland dated December 9, 1940;

Letter from the Comptroller of the Currency to the Board dated February 24, 1941; and

Letter from the Board to the President of the Federal Reserve Bank of Cleveland dated February 26, 1941.

There were certain other letters of intermediate dates which were exchanged with regard to this matter, but they do not affect the conclusions expressed in the letters enclosed, and you will note that the enclosed letter from the Comptroller of the Currency expressly states that it supersedes certain earlier letters from his office on this subject.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

Enclosures

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

FEDERAL RESERVE BANK OF CLEVELAND

November 29, 1940

Board of Governors of the
Federal Reserve System
Washington, D. C.

Gentlemen:

Enclosed you will find copy of a letter addressed to me by _____, Vice President of The _____ National Bank and Trust Company, _____, _____, on November 27, 1940.

In reading Mr. _____'s letter, I am impressed with the fact that if it is possible to accomplish the result desired by him, it cannot be achieved through any construction of R. S. Section 5200, for the reason that the provisions of this section, paragraph 8, clearly specify that the security of the notes mentioned therein must be bonds, notes, certificates of indebtedness or treasury bills of the United States, or obligations fully guaranteed both as to principal and interest by the United States. Clearly, the contract which Mr. _____ mentions is a direct obligation of the United States and not an obligation fully guaranteed by it both as to principal and interest.

In this connection, I invite your attention to the portion of the 7th paragraph of R. S. Section 5136, reading as follows:

"The limitations and restrictions herein contained as to dealing in, underwriting and purchasing for its own account, investment securities shall not apply to obligations of the United States or general obligations of any state or of any political subdivision thereof
..."

As the amendments to this portion of this paragraph of Section 5136 were all made prior to the passage of the Assignment of Claims Act of 1940, it is arguable that the reference to obligations of the United States was intended to cover only obligations of the United States having the characteristics of investment securities. However, the literal terms of this portion of the section seem to me to include direct obligations of the United States of the type to which Mr. _____ refers. Therefore, I wish in considering Mr. _____'s letter that you would advise me whether the proceeds of contracts of the type mentioned by him may be assigned to member

banks by the contractor and considered as investments by the member banks on a parity with obligations of the United States having the quality of investment securities as mentioned in the 7th paragraph of said section 5136 and in the Regulations of the Comptroller of the Currency of June 28, 1938.

It is my opinion with respect to Defense Plant Contracts, after completion of the plant and acceptance thereof by the Government, that member banks may be willing to acquire the assignment of the right to receive payments from the United States under such contracts and hold such rights as investments in amounts far in excess of the limitations imposed by Section 5200 if obligations of the United States of this type can be given the same status as other obligations of the United States having the characteristics of investment securities.

In discussing this matter verbally, Mr. _____ has contended that obligations of the United States to pay stated installments under a contract should have the same status for investment by member banks as other obligations of the United States having the quality of investment securities, and that to make this distinction between the two types of obligations constitutes a discrimination against member banks in their efforts to aid in the Defense Program and to employ their excess reserves at a profit. His argument has impressed me as having merit.

Very truly yours,

(Signed) M. J. Fleming

President.

THE _____ NATIONAL BANK AND TRUST COMPANY

November 27, 1940

Mr. M. J. Fleming, President
Federal Reserve Bank
Cleveland, Ohio

Dear Mr. Fleming:

For the past six weeks we have been working with one of our clients - namely, the _____ Corporation - to negotiate a contract with the United States Government for new plant facilities under the defense program, the estimated cost of which is \$910,000.00.

During the closing days of negotiations between the company, the banks and the Government, it was stated by the Government representatives that the contract in its final form was a direct obligation of the Government for not less than 80% of the total cost of the new facilities. Therefore, the interest rate to be charged on this obligation by the banks would have to be closely in line with that of Government obligations, and they set a ceiling of 2% for this particular contract, and apparently the only reason for not making the rate lower than 2% was due to the fact that 20% of the obligation is to be repaid by the contractor - namely, the _____ Corporation.

_____ Corporation is a small but excellently operated corporation whose total resources will not exceed \$250,000.00; therefore, it would be rather foolhardy for us to consider a loan of \$910,000.00 to a company of this size unless the Government's obligation for 80% of the amount would be definitely irrevocable. It is our opinion that the present contract is an irrevocable obligation of the Government up to at least 80% of the total amount involved, and therefore we have not considered that the _____ Corporation will at any time be called upon to pay more than 20% of the total contract, plus the interest on the obligation during its existence.

If our assumption is correct in this matter, we feel that definite action should be taken by the Federal Reserve Board and the Comptroller of the Currency, to classify the contract up to 80% of the total figures involved, as a direct Government obligation, the same as a Government bond, thereby releasing the banks from the legal limitations as provided in Section 5200, and also providing them with an "A" classification from the Federal Reserve Bank on the contract

S-254-c
Sec. 5136 R.S.-17

December 9, 1940

Mr. M. J. Fleming, President,
Federal Reserve Bank of Cleveland,
Cleveland, Ohio.

Dear Mr. Fleming:

This refers to your letter of November 29, 1940, enclosing a letter from Mr. _____, Vice President of The _____ National Bank and Trust Company, _____, _____, raising certain questions with respect to the proper construction of section 5136 and section 5200 of the Revised Statutes in relation to obligations of the United States arising out of Emergency Plant Facilities Contracts. The questions you raised will be taken up with the office of the Comptroller of the Currency, since they involve limitations applicable to national banks as well as to State member banks, and you will be advised as soon as possible of the conclusions reached.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill
Secretary.

TREASURY DEPARTMENT

Comptroller of the Currency

Washington

February 24, 1941

Board of Governors of the
Federal Reserve System
Washington, D. C.

Gentlemen:

This is with further reference to your letters of December 10, 1940 and January 14, 1941, relating to the acquisition by national banks of claims against the Federal Government arising out of Emergency Plant Facilities Contracts assigned under the provisions of the Assignment of Claims Act of 1940. It is believed that this letter clarifies the opinions expressed in our letters of January 6th and February 3th, which are hereby superseded.

By virtue of the Assignment of Claims Act, claims arising under such contracts may be assigned to banks as security for loans. In such cases the loan is made to the contractor, and the claim against the Government is assigned to the bank as collateral security. Such loans are subject to the ordinary 10% limitation prescribed by section 5200 of Rev. Stat. of 1873, as amended (U.S.C. title 12, sec. 84), since none of the exceptions to that limitation specified in section 5200 is applicable to this situation.

The question has been raised whether assignments of such claims may be purchased by national banks outright, rather than being taken as security for loans to the contractor. Section 5136 of Rev. Stat. of 1873, as amended (U.S.C. title 12, sec. 24) authorizes national banks to acquire "promissory notes, drafts, bills of exchange, and other evidences of debt". In order to constitute an "evidence of debt" within this statutory provision, an obligation must involve an admission of liability or a promise to pay a specified or determinable amount. Until the completion of the plant facilities called for by these contracts, the Government does not appear to undertake any such absolute obligation, although it does bind itself to assume an obligation not to exceed a specified amount upon the completion of the facilities and the filing of a Final Cost Certificate. Accordingly, until the facilities have been completed and the Final Cost Certificate filed, the contractor's potential claim against the Government does not constitute an evidence of debt which may be purchased by a national bank.

After the facilities have been completed and the Final Cost Certificate filed, the contractor's claim against the United States becomes an evidence of debt within the meaning of section 5136 and may be acquired as such by a national bank.

The question then arises whether the acquisition of such claims is subject to any of the limits as to amount which are prescribed in the National Bank Act. Inasmuch as these assigned claims do not constitute "investment securities" as defined in section 5136, the applicable limitations and exceptions are those of section 5200, relating to loans and similar extensions of credit, rather than those of section 5136, relating to investment securities. However, it is the position of this office that the limitations of section 5200 do not apply to obligations of the United States, since the Federal Government is not deemed to be a "person, copartnership, or corporation" within the purview of that section. It is therefore concluded that after the plant facilities have been completed in accordance with the contract and the Final Cost Certificate filed, the claim of the contractor against the Government may be acquired by a national bank without any limitation other than those imposed by the applicable principles of safe and sound banking practice. In purchasing such claims, the bank should take into consideration whatever possibility exists of the assigned claim thereafter becoming subject to valid defenses, set-offs, or counterclaims.

If you deem it advisable, it is agreeable that this letter be published in the Federal Reserve Bulletin.

Yours very truly,

(Signed) Preston Delano

Comptroller of the Currency

S-254-e
Sec. 5136 R.S.-17

February 26, 1941

Mr. M. J. Fleming, President,
Federal Reserve Bank of Cleveland,
Cleveland, Ohio.

Dear Mr. Fleming:

This is in further reference to your letter of February 10, 1941, and previous correspondence regarding certain questions arising under section 5136 and section 5200, United States Revised Statutes, which were submitted by you and were by us referred to the Comptroller of the Currency. We enclose herewith a copy of a letter from the Comptroller of the Currency dated February 24, 1941, with reference to this matter.

You will note that the Comptroller's letter concludes that, after the plant facilities have been completed in accordance with the contract and the Final Cost Certificate filed, the claim of the contractor against the Government may be acquired by a national bank without any limitation other than those imposed by the applicable principles of safe and sound banking practice. In view of this ruling of the Comptroller of the Currency and the fact that State member banks under the law are subject to the same conditions with respect to the purchasing and holding of investment securities as are national banks, the Board will consider that State member banks, in acquiring claims against the Government of the kind described after the plant facilities have been completed in accordance with the contract and the Final Cost Certificate filed, are likewise not subject to the limitations imposed by section 5136, United States Revised Statutes.

Very truly yours,

(Signed) L. P. Bethea

L. P. Bethea,
Assistant Secretary.

S-255
Reg. R-3

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

March 10, 1941

Mr. _____, Vice President,
Federal Reserve Bank of _____,
_____, _____.

Dear Mr. _____:

Consideration has been given to your letter of February 11, 1941, and enclosures, relating to the question whether a director of a member bank may serve as a director of _____, an investment trust, in view of provisions of section 32 of the Banking Act of 1933. The specific question is whether _____ is so actively engaged in issuing its own shares as to be "primarily engaged" in the issue or distribution of securities within the meaning of the statute.

It is understood that _____ was incorporated in 1928. During the five years ending June 30, 1936, it issued 62,062 shares of its stock, and on the latter date a total of 88,059 of such shares was outstanding. Between that date and June 30, 1940, 283,359 more shares were sold, and at the end of 1940 the total number of shares outstanding was 403,093.

The shares are sold through independent organizations with the result that _____ does not derive any direct profit from such sales. However, you and your counsel are of the opinion that since _____ is actively engaged in the issue and distribution of its shares, the interlocking relationship is prohibited by section 32.

On the basis of the information submitted, the Board agrees with this conclusion.

Very truly yours,

(Signed) L. P. Bethea

L. P. Bethea,
Assistant Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-256



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 20, 1941

Dear Sir:

Our attention has been called to the fact that the Defense Commission and the War and Navy Departments regard the "amortization" provision (section 124 of the Internal Revenue Code) as applicable only to "corporations" (as defined in section 3797 of the Internal Revenue Code) and as not applicable to partnerships or individuals. This view is based upon the fact that the opening words of section 124 make it applicable to "Every corporation".

Of course this interpretation means only that a partnership or individual would not be entitled to the benefits of section 124. All taxpayers, whether "corporations" or not, may receive "a reasonable allowance for the exhaustion, wear and tear of property used in the trade or business, including a reasonable allowance for obsolescence" in accordance with the usual procedure which has been in effect since long prior to the enactment of section 124 (see section 23(1) of the Internal Revenue Code).

In one case which has come to our attention there was some misunderstanding as to the applicability of the statute, and this letter is being written for your information in case the question should arise in your district.

Very truly yours,

A handwritten signature in cursive script that reads "Chester Morrill".

Chester Morrill,
Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS.
COPY TO FEDERAL RESERVE DEFENSE CONTRACT OFFICERS

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-257
Sec.2(b) B.A.of 1933-1



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 22, 1941

Dear Sir:

For your information there are enclosed copies of certain correspondence between the Office of the Comptroller of the Currency and the Board with respect to the existence of affiliate relationships, within the meaning of section 2(b) of the Banking Act of 1933, where corporate stock is pledged with member banks to secure loans made by them.

Very truly yours,

A handwritten signature in cursive script that reads "Chester Morrill".

Chester Morrill,
Secretary.

Enclosures 2

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

TREASURY DEPARTMENT

Comptroller of the Currency

Washington

October 7, 1940

The Board of Governors of
The Federal Reserve System
Washington, D. C.

Gentlemen:

We have recently received an inquiry from a national bank and also from the Reconstruction Finance Corporation regarding the proper construction of the statute relating to affiliates of member banks (U.S.C. title 12, sec. 221a) (Banking Act of 1933, sec. 2 as amended by Banking Act of 1935, sec. 301), as applied to certain loan transactions. Since the Reconstruction Finance Corporation participates in loans made by national banks and state member banks, it is deemed advisable to ascertain whether the Board concurs or is at variance with the tentative conclusions reached by this office on the questions presented.

In the first case presented the bank loans a substantial amount to a private corporation and accepts as collateral security more than 51% of the stock of that corporation. The collateral form agreement prescribes that the holder can transfer the stock to its nominee or to itself at any time and thereupon can vote the stock for all purposes. The certificates evidencing such stock are delivered to the bank endorsed in blank, in transferrable form, but there is no actual transfer on the books of the corporation. The question propounded is whether under these circumstances the corporation must be considered an affiliate of the bank. This office is inclined to answer this question in the affirmative, feeling that the case is clearly within the provisions of subsection (b) (1) of section 221a of the above-mentioned statute. The bank undoubtedly controls a majority of the voting shares of the borrowing corporation. However, it is felt that if the collateral agreement with the borrowing corporation provided that the right to vote the stock would vest in the holder of the note only in the event of default on the part of the borrower, then the affiliate relationship would occur only if and when such default occurred.

Under the second set of facts, the loan is the same and the collateral provisions are identical but, coincidental with the making of the loan, the Reconstruction Finance Corporation enters into a participation agreement with the bank, using RFC Form L-298 or RFC Form L-300,

The Board of Governors of the
Federal Reserve System, Wash., D. C.

copies of which forms are enclosed. Under the provisions of both form agreements the Reconstruction Finance Corporation agrees to participate in the loan, but under RFC Form L-298 it is contemplated that the participation will be immediate, whereas under RFC Form L-300 the participation is deferred. In both agreements there are provisions to the effect that at any time after the Reconstruction Finance Corporation has actually distributed its participation in the loan it may call upon the bank to transfer the note and the collateral security to it, whereupon the Reconstruction Finance Corporation would merely issue a certificate of participation to the bank. We have been advised by the General Counsel of the Reconstruction Finance Corporation that when the Corporation takes possession of the note and collateral it automatically acquires all rights of the bank under the proxies and that the bank becomes bound to place the Corporation in position to exercise all such rights, and that the right of possession vested in the Corporation includes the legal right of the Corporation to vote the stock in its independent discretion.

Whereas the provisions of the participation agreements are not altogether clear on the matter of the voting control, this office has reached the tentative conclusion that if the bank is subject at all times to be called upon to transfer the note and stock to the Corporation, giving to the Corporation the right and power at its own discretion to vote the stock for all purposes, the measure of control over the borrowing corporation available to the bank is not such as requires that the borrowing corporation be classified as an affiliate of the bank in such cases.

This office would appreciate the reaction of the Board to these tentative conclusions.

Yours very truly,

(Signed) E. H. Gough

Deputy Comptroller

Encs. 2

S-257-b
Sec. 2(b) B.A. of 1933-1
March 18, 1941

Honorable Preston Delano,
Comptroller of the Currency,
Washington, D. C.

Dear Mr. Delano:

This refers to Mr. Gough's letter of October 7, 1940 which sets forth certain tentative conclusions of your office with respect to the existence of affiliate relationships where corporate stock is pledged with member banks to secure loans made by them. A reply has been delayed pending receipt of advice as to the views of Counsel for the Federal Reserve Bank of _____, in whose district the case prompting your inquiry arose, and the discussion of the opinion of Counsel for that bank with Mr. Roberts of your office.

The Board concurs in the tentative conclusions expressed in Mr. Gough's letter, which are to the effect --

1. That where more than 51 per cent of the stock of a corporation is taken as security for a loan and the bank has the right under a collateral agreement to have the stock transferred to its name and vote it, an affiliate relationship exists;
2. That if the right of the bank to vote the stock can not be exercised prior to default by the borrower, an affiliate relationship would not exist under the collateral agreement prior to such default; and
3. That where the Reconstruction Finance Corporation, through an agreement with the bank with respect to participation in the loan, has the right to have the stock transferred to it and vote it, an affiliate relationship does not exist under the collateral agreement.

With respect to the last conclusion, it would necessarily follow that if in similar circumstances a Federal Reserve Bank, under an agreement with respect to participation in the loan pursuant to section 13b of the Federal Reserve Act, has the right to have the stock transferred to it and vote it, an affiliate relationship would not exist.

Honorable Preston Delano

-2-

S-257-b
Sec. 2(b) B.A. of 1933-1

It is felt that under the provisions of the statutes relating to affiliates of member banks these conclusions are unavoidable. In acting on the questions presented, the Board has been concerned as to whether the rulings might discourage or prevent banks from making proper loans, especially in connection with national defense. However, in view of the different ways in which loans of the kind under discussion can be handled under the foregoing rulings, it is not believed that the position of the Board and your office should cause undue difficulty. It is assumed that in any case where an examiner has any doubt as to whether these rulings are applicable he will fully inform the bank as to the basis for the position of the Board and your office and, before requiring any action by the bank involved, will consult with your office, or the appropriate Federal Reserve Bank if a State member bank is involved.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

April 2, 1941

Mr. _____, Vice President,
Federal Reserve Bank of _____,
_____, _____.

Dear Mr. _____:

This refers to your letter of March 19, 1941, enclosing a copy of a letter dated March 15, 1941, from Mr. (A), Chairman of the board of directors of the _____ National Bank, _____, _____, to Mr. _____, Chief National Bank Examiner, inquiring whether section 22(g) of the Federal Reserve Act would prohibit the _____ National Bank from making a loan to (A) as trustee of his father's estate.

It appears that Mr. (A) is chairman of the board of directors of the national bank. It also appears that he is trustee of his father's estate, in which he has a life interest, and that the property of the estate will upon his death vest in his two sons, one of whom is vice president of the national bank. The trust estate consists of property with a value in excess of \$100,000 with no indebtedness, the principal item being a business block yielding approximately \$7,500 per annum, and the estate may wish to borrow about \$15,000, which Mr. (A) describes as a "gilt-edged" loan and one "that any bank would obviously welcome".

It will be assumed that under the laws of the State of _____ a trustee in borrowing on behalf of the trust may sign the instrument in such a way as to avoid any personal liability on the obligation and that the proposed loan would be handled in this way. While the trustee would thus have no personal liability, he would benefit directly from the making of the loan in his capacity as life tenant of the trust estate, which would be obligated on the note. He is interested in the loan both in a representative capacity and in his own right. In this connection, it is noteworthy that the law forbids a member bank to make any loan or "extend credit in any other manner" to an executive officer.

It appears that the principal purpose underlying the enactment of section 22(g) of the Federal Reserve Act was to prevent the

exercise of undue influence by executive officers of member banks in obtaining credit from the banks they serve; and, while there is nothing to suggest that any such influence would be used in this particular instance, it is apparent that the case is one of a type in which undue influence may readily be exercised.

In all the circumstances, and particularly in view of the fact that Mr. (A) is not only trustee but also a beneficiary of the trust estate which would receive the loan, it is the view of the Board that the making of the loan proposed would contravene the intention of Congress and would be inconsistent with the provisions of the statute.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-259

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 18, 1941



Dear Sir:

For your information there is attached a copy of a letter from Mr. William S. Knudsen, Director General of the Office of Production Management, to Governor Draper, and of the Board's reply thereto, with respect to reimbursement of the Federal Reserve Banks for expenses incurred in the offices of the District Coordinators subsequent to March 1, 1941.

It is suggested that requests for reimbursement, beginning with the month of March 1941, be submitted to Defense Contract Service of the Office of Production Management on Standard Form 1034, which it is understood is used in obtaining reimbursement for fiscal agency expenses.

All expenses connected with the offices of the District Coordinators should be reported in fiscal agency unit 17g on page 22-B of Form E. This unit should be headed "National Defense - District Coordinator" and the title of the National Defense function on page 10 should be changed to "National Defense - Defense Contract Officer".

Very truly yours,

Chester Morrill,
Secretary.

Enclosures 2

(Memo enclosed with Mr. Knudsen's letter
sent to Presidents only)

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

OFFICE OF PRODUCTION MANAGEMENT

Office of the Director General

Washington, D. C.

April 16, 1941

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

Dear Governor Draper:

We have cleared with the Bureau of the Budget the matter of establishment and maintenance, through utilization of the services of the Federal Reserve System, of local field offices of the Defense Contract Service Section of the Office of Production Management, and the allocation of funds for and method of reimbursement for such services, along the lines agreed to between this office and the Board of Governors effective March 1, 1941. Accordingly, the purpose of this letter is to confirm that agreement and to make formal request to the Board of Governors of the Federal Reserve System that it render such service to and on behalf of the Office of Production Management, subject to reimbursement within the limits hereinafter noted.

As to the nature of the service requested, I enclose a copy of a memorandum setting forth the projected organization and functions of the Defense Contract Service Section with which you are acquainted. In this connection, we are concerned only with the organization and functions of the field offices of the Section in the various Federal Reserve Banks and Branches, which will operate subject to the direction of the District Coordinators who are appointed and paid directly by the Office of Production Management. This does not refer to the service which the Defense Contract Officers of the Banks are now rendering and will continue to render on behalf of the Defense Contract Service Section, subject to the immediate direction of the presidents of the Banks and of the Board of Governors. The service which you have been asked to undertake comprehends the establishment, maintenance and payment of all expenses, including salaries of staff, of the offices of the District Coordinators, and appropriate per diem and travelling expenses, but not salaries, of the District Coordinators. Per diem in lieu of subsistence for persons serving on a dollar-a-year basis or without compensation, will not exceed \$10 per day and for other persons will not exceed \$5 per day, while away from their headquarters on official business. The offices of the District Coordinators will notify

the Office of Production Management when it is proposed to utilize the services of persons on a dollar-a-year or without compensation, basis.

Our understanding with the Bureau of the Budget is that a lump sum sufficient for the purpose may be allocated from funds available to the Office of Production Management to reimburse the Federal Reserve Banks for the expenses of the service they render in this matter from March 1, 1941 to June 30, 1941. Based on our tentative estimates, it is believed that \$200,000 will suffice for this purpose and, upon notification from you that this letter clearly sets forth our understanding, this amount will be earmarked therefor. It is understood that the Banks will not be reimbursed for the use of space, if available, in the Federal Reserve Bank and Branch buildings, nor for the use of Federal Reserve office equipment loaned temporarily to the offices of Coordinators, but that they will be reimbursed for rent paid for outside office space and for office equipment purchased for the account of the Office of Production Management, for the use of such offices. Reimbursement under this agreement with respect to rent after June 30, 1941, for outside office space will be subject to review and approval by the Office of Production Management. The procedure for reimbursement will follow the usual practice, and reimbursement will be made monthly on Standard Form 1034 vouchers. It is further understood that this whole arrangement with you will be subject to review before July 1, 1941, in the event that changes may be deemed necessary in view of organizational and budgetary considerations affecting the Office of Production Management.

Would you be good enough to transmit this letter to the Board of Governors? We would appreciate confirmation that this letter clearly sets forth our understanding and that the Federal Reserve Banks are prepared to continue the service requested subject to reimbursement as above outlined.

Very truly yours,

(Signed) W. S. Knudsen

William S. Knudsen

Enclosure

S-259-b

April 18, 1941

Mr. William S. Knudsen, Director General,
Office of Production Management,
Social Security Building,
Washington, D. C.

Dear Mr. Knudsen:

Your letter of April 16, 1941 to Governor Draper with respect to the establishment and maintenance of local field offices of the Defense Contract Service of the Office of Production Management at the Federal Reserve Banks has been presented to the Board of Governors. The Board has authorized me to advise you that the Federal Reserve Banks are prepared to continue the services requested, subject to reimbursement as outlined in your letter, and it wishes to take this opportunity of assuring you that it is anxious to be of all possible assistance in this important work.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-260



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 25, 1941

Dear Sir:

Recently one of the Federal Reserve Banks advised the Board informally that it expects a crowded condition in its vaults when the new financing program of the Treasury gets fully under way, and asked whether there would be any objection to canceling and shipping to Washington for destruction the stock of unissued Federal Reserve Bank notes now held by it.

Available information indicates that \$265,188,000 of Federal Reserve Bank notes are now held at the Reserve Banks and \$450,800,000 in Washington. There appears to be little likelihood that it will be found necessary or desirable to pay out existing stocks of unissued Federal Reserve Bank notes. Accordingly, if you wish to cancel and ship to Washington for destruction in the usual manner any unissued Federal Reserve Bank notes now held by your Bank, the Board will interpose no objection.

It is not contemplated that the stock of Federal Reserve Bank notes in Washington will be destroyed at this time.

Very truly yours,

A handwritten signature in dark ink, appearing to read "L. P. Bethea", written over a horizontal line.

L. P. Bethea,
Assistant Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

April 28, 1941

Mr. _____, First Vice President,
Federal Reserve Bank of _____,
_____, _____.

Dear Mr. _____:

This refers to your letters of March 12 and April 14, 1941, with respect to the question whether certain "Loan Trust Funds" now carried on the books of the Bank of _____ as time deposits should properly be classified as demand deposits.

It is understood that, in accordance with regulations of the Federal Housing Administration and pursuant to the terms of the agreement between the bank and the borrower embodied in a "deed of trust", the funds in question represent accumulated payments made to the bank monthly by F. H. A. borrowers for the purpose of enabling the bank to meet future installments of mortgage insurance premiums, fire insurance premiums, taxes, etc., before they become delinquent. No interest is paid by the bank on such funds.

The deed of trust apparently contemplates that all such payments must be made to the bank by the borrower at least one month before the respective installments of premiums, taxes, etc., are due and that no portion of the funds deposited are to be utilized by the bank or otherwise withdrawn from the account for more than 30 days after the payment by the borrower to the bank. Nevertheless, it appears that in isolated instances, such as where a borrower makes his monthly payment several days or more after it is due, it may become necessary for the bank to utilize funds which have been on deposit in the account less than 30 days in order to meet such premiums or taxes. In view of this fact, the funds involved do not appear to comply literally with the requirements of a "time deposit" as set forth in the Board's Regulations D and Q. Except for such isolated cases, however, it is understood that no money paid into the account by the borrower is utilized or withdrawn within 30 days from the date of its deposit; and in the circumstances, therefore, the Board will raise no objection at this time to the classification of the funds in question as time deposits under its regulations.

Very truly yours,
(Signed) L. P. Bethea
L. P. Bethea,
Assistant Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-262



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 12, 1941

Dear Sir:

For your information and guidance, there is enclosed a copy of a letter dated May 12 advising the Federal Reserve Bank of Atlanta that it may inform each State banking department in its district that, in the absence of advice to the contrary, the banking department may feel reasonably certain that a call for condition reports will be made upon State bank members whenever the Comptroller of the Currency calls upon national banks for such reports.

Very truly yours,

A handwritten signature in dark ink, appearing to read "L. P. Bethea". The signature is fluid and cursive.

L. P. Bethea,
Assistant Secretary.

Enclosure.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS EXCEPT ATLANTA

C O P Y

May 12, 1941

Mr. J. E. Denmark,
Assistant Vice President,
Federal Reserve Bank of Atlanta,
Atlanta, Georgia.

Dear Mr. Denmark:

This refers to your letter of April 7 in which you inquire whether arrangements might be made for your Bank to give advance information to State banking authorities in your district regarding calls for condition reports to be made upon State member banks.

Since December 28, 1922, when the National Bank Act was amended so as to require a minimum of three calls per year, instead of five as required before that time, the Comptroller of the Currency has made no more than four calls per year upon national banks for condition reports; and beginning with December 1922 the number and dates of the Board's calls upon State bank members have been identical with the Comptroller's calls upon national banks. In the circumstances, you may advise each State banking department in your district that, in the absence of advice to the contrary, it may feel reasonably certain that a call for condition reports will be made upon State bank members whenever the Comptroller of the Currency calls upon national banks for such reports. It is understood that the Comptroller's office advises every State banking department of each national bank call date by confidential telegram about two days before the call is publicly announced.

Very truly yours,

(Signed) L. P. Bethea

L. P. Bethea,
Assistant Secretary.

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,

A handwritten signature in cursive script that reads "Chester Morrill".

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.

S-263-b

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

S-263-c

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.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-264
Sec. 5136 R.S.-18

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



May 21, 1941

Dear Sir:

There is enclosed for your information a copy of a letter dated May 13, 1941 from Mr. C. B. Upham, Deputy Comptroller of the Currency, advising that the Office of the Comptroller of the Currency recently has taken the position that bonds of the Port of New York Authority and bonds of the Triborough Bridge Authority of New York are not "general obligations of any State or of any political subdivision thereof" within the meaning of that term, as used in section 5136, U.S.R.S. It is suggested that this matter be brought to the attention of the examiners for your Bank.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

TREASURY DEPARTMENT
Comptroller of the Currency
Washington

May 13, 1941

Board of Governors of the
Federal Reserve System,
Washington, D. C.

Gentlemen:

Reference is made to your letter of April 29, 1941, relative to the bonds of the Port of New York Authority, New York, and bonds of the Triborough Bridge Authority of New York. You state that you have been advised informally that this office has taken the position that such bonds are not general obligations of any state, or of any political subdivision thereof, within the meaning of section 5136 of Rev. Stat. of 1873, as amended (U.S.C. title 12, sec. 24), and that member banks are subject to the limitations and restrictions contained in section 5136 as to dealing in, underwriting, and purchasing such securities. You desire a verification of your understanding and ask, if this office can conveniently do so, to be furnished with copies or a statement of the substance of the rulings or letters of this office in which the positions indicated were taken.

This office recently has taken the position that bonds of the Port of New York Authority and bonds of the Triborough Bridge Authority of New York are not "general obligations of any State or of any political subdivision thereof" within the meaning of that term, as used in section 5136. We hereinbelow quote a typical reply that has been made by this office to national banks making inquiries in this respect.

"National banks are governed in the purchase of investment securities by the provisions of section 5136 of Rev. Stat. of 1873, as amended (U.S.C. title 12, sec. 24) wherein certain exemptions are provided to the basic 10% limitations imposed thereby. It is believed that the bonds in question do not qualify under any of the exemptions thus provided. However, it is the position of this office that the bonds of the Triborough Bridge Authority of New York and the Port of New York Authority, New York, meet the requirements of section 5136 and the regulations of the Comptroller of the Currency issued thereunder

S-264-a
Sec. 5136 R.S.-18

within the 10% limitations of this section and may be purchased by national banks within such limitations."

As you no doubt are aware, this position is a reversal of a position taken by this office some years ago with respect to these bonds. Inasmuch as some banks, in the light of our former ruling, may have purchased such bonds in excess of their 10% limitations under section 5136, this office has followed the policy in administering this new ruling, of calling any such excess to a national bank's attention, when found to exist in their bond portfolio, with the instructions that the bank should dispose of their excess holdings therein whenever they can do so without loss, rather than requiring that disposition be made of such bonds immediately. It is believed that such a process will result in a gradual, rather than a sudden liquidation of any excess amount of such bonds which may have been purchased by banks under our former ruling.

Very truly yours,

(Signed) C. B. Upham

Deputy Comptroller

S-265
Reg. P-17

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

May 15, 1941

Mr. _____, Vice President,
Federal Reserve Bank of _____,
_____, _____.

Dear Mr. _____:

This refers to your letter of April 9, 1941, relating to the holding company affiliate status of _____ County Trust Company, _____, _____.

On November 7, 1935, _____ County Trust Company was determined by the Board not to be engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies, within the meaning of section 2(c) of the Banking Act of 1933. It is the Board's view that such a determination with respect to an organization continues in effect indefinitely in the absence of a contrary determination and that it governs the status of the organization as a holding company affiliate not only of the banks which were subsidiaries at the time of the determination but also of banks which become subsidiaries thereafter. While the Board retains the right to make a new determination at any time upon the basis of the then existing facts, there is no occasion for action by the Board where, as in this case, there is no change in the facts such as would indicate that the organization in question might be deemed to be engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies.

Very truly yours,

(Signed) L. P. Bethea

L. P. Bethea,
Assistant Secretary.

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

May 16, 1941

Mr. _____, Vice President,
Federal Reserve Bank of _____,
_____, _____.

Dear Mr. _____:

Enclosed is a copy of a letter of April 3, 1941, from Mr. _____, Trust Department, _____ Trust Company, _____, _____, relating to the interpretation of the underscored portion of the following provisions of section 17(c)(5) of Regulation F:

"No funds of any trust shall be invested in a participation in a Common Trust Fund if such investment would result in such trust having an interest in the Common Trust Fund in excess of 10 per cent of the value of the assets of the Common Trust Fund, as determined by the trust investment committee, or the sum of \$25,000, whichever is less at the time of investment. * * * In applying the limitations contained in this paragraph, if two or more trusts are created by the same settlor or settlors and as much as one-half of the income or principal or both of each trust is payable or applicable to the use of the same person or persons, such trust shall be considered as one."

After a careful study of the questions presented by Mr. _____ and other related questions, which has necessitated some delay, it is the Board's conclusion that the two trusts should not be considered as one for the purpose of the above-quoted provisions of the regulation in either of the following situations described by him:

"(1) A settlor creates two trusts of \$25,000 each. In one trust the life tenant is 'A', and in the other the life tenant is 'B'. Upon the death of each life tenant, the principal in each trust is payable to 'C'.

"(2) A settlor creates two trusts of \$25,000 each. In one trust the life tenant is 'A', upon whose death the principal is payable to 'C'. The life tenant of the other is 'B', upon whose death the principal is payable to 'D', or if 'D' be not living, to 'C'."

It is understood, of course, that the information submitted was complete and that there are no additional facts with respect to powers of revocation or otherwise which might have a bearing on the matter.

It will be appreciated if you will advise Mr. _____ in accordance with the foregoing. He has been advised of this reference.

Very truly yours,

(Signed) L. P. Bethea

L. P. Bethea,
Assistant Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-267
Reg. P-18

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 22, 1941



Dear Sir:

For your information there is enclosed copy of a letter which the Board recently addressed to a Federal Reserve Bank relating to the question as to whom copies of the report of examination of a certain holding company affiliate should be made available. This letter also amends that portion of the Board's letter S-238 of November 15, 1940 (F.R.L.S. #7235) containing general instructions regarding data which should appear in the open and confidential sections of reports of examinations of holding company affiliates.

Very truly yours,

A handwritten signature in dark ink, appearing to read "L. P. Bethea". The signature is written in a cursive style with a large initial "L" and a long horizontal stroke.

L. P. Bethea,
Assistant Secretary.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

May 19, 1941

Mr. _____, Vice President,
Federal Reserve Bank of _____,
_____.

Dear Mr. _____:

Reference is made to your letter of February 26, 1941, and subsequent correspondence regarding questions as to whether a copy of the report of examination of _____ Corporation, _____, _____, should be made available to the Chief National Bank Examiner of the _____ Federal Reserve District, the extent to which the report may be made available to the State banking departments and supervising examiners of the Federal Deposit Insurance Corporation, and whether the report, except the confidential section, should be submitted to the board of directors of the holding company affiliate.

When a simultaneous examination is made of a holding company affiliate and its affiliated banks and other organizations in cooperation with the examiners of other supervisory authorities, the Board feels, particularly in view of paragraph numbered 4 of the application for voting permit executed by the holding company affiliate, that information contained in the report should be made available to other supervisory authorities as in your judgment their respective interests may appear. In view of the large number of national banks in this group and the cooperation by national bank examiners in the examination, it is felt that a copy of the report of examination may properly be delivered to Mr. _____, as requested by him, for his information and use as Chief National Bank Examiner of the _____ Federal Reserve District. The Board makes available to the Comptroller of the Currency and the Federal Deposit Insurance Corporation in Washington its copies of reports of examination of holding company affiliates and their affiliated banks and other organizations made by examiners for the Federal Reserve banks in all cases where such agencies have an interest in and request such reports.

You are authorized to submit a copy of the report of examination, except the confidential section, to the board of directors of _____ Corporation. In the last paragraph of the Board's letter of November 15, 1940 (S-238), general instructions were given regarding data which should appear in the open section of reports of examination delivered to the boards of directors of holding company affiliates and data that should appear only in the confidential section. These instructions are herewith amended and restated as follows.

Data concerning a holding company affiliate and its affiliated and closely related banks and other organizations obtained by

an examination of the holding company affiliate itself should be contained in the open section of the report of examination of the holding company affiliate. Data obtained by examination of a holding company affiliate's subsidiaries or from reports of examination of such subsidiaries made by other supervisory authorities should be contained in the open section of the report of examination of the holding company affiliate to the extent considered necessary or desirable. Of course, any information which is of a confidential nature, including such information obtained from or ordinarily contained in the confidential section of a report of examination of a bank, should not be included in the open section of a report of examination of a holding company affiliate. Information obtained by examination or from reports of examination of noncontrolled banks or other organizations which are affiliated with or closely related to a holding company affiliate or its subsidiaries ordinarily should not be included in the open section of a report of examination of the holding company affiliate. However, in some circumstances it may be necessary to include general comments on or summaries of such information as a basis for criticisms of relationships between the holding company affiliate and such organizations. Details regarding such information may, of course, be included in the confidential section of the report of examination.

When it is necessary to quote or paraphrase the contents of a report of examination of a bank or other organization, care should be exercised to avoid embarrassment which may result therefrom to the examiner or the supervisory authority responsible for such report.

In order to avoid possible violation by the examiner of section 22(b) of the Federal Reserve Act, the open section of the report of examination of a holding company affiliate should not disclose the names of borrowers or the collateral for loans of a member bank or insured bank obtained by examination or from reports of examination of such bank. Any significant information regarding such loans that should be called to the attention of the management of the holding company affiliate should be covered by means of general comments or summaries in the open section. Such detailed information as is considered to be necessary regarding loans of the banks in the group, particularly loans secured by stock of the holding company affiliate and loans to directors, officers, and employees of organizations in the group and to their interests, should be included in the confidential section.

Very truly yours,

(Signed) L. P. Bethea

L. P. Bethea,
Assistant Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 29, 1941

Dear Sir:

In view of the recent establishment of Coordinators' Offices at Federal Reserve Banks and Branches certain questions have arisen with respect to the monthly reports of defense activities furnished me in response to our letter of December 5, 1940, S-240, as modified by our telegram of January 8, 1941.

It will be appreciated if you will have the Defense Contract Officer at your Head Office continue to forward to me for the present a monthly report covering his activities and the activities of the Federal Reserve Defense Contract officers at your Branches, if any. The report should reach the Board's offices not later than the tenth of each month. As in the past, the report should set forth any interesting developments during the month that it is thought worth while to bring to our attention. The report should also set forth briefly any difficulties that were experienced during the month, particularly with respect to difficulties, if any, encountered in obtaining financing, and whether in your opinion anything can be done by our office to facilitate the work.

It will also be appreciated if the Defense Contract Officer will comment briefly in his report on any noteworthy activities of the District Coordinators' Offices and of the offices of the Priorities Division (when established) that come to his attention.

Very truly yours,

A handwritten signature in cursive script that reads "Ernest G. Draper".

Ernest G. Draper.

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

May 26, 1941

Mr. _____, Vice President,
Federal Reserve Bank of _____,
_____, _____.

Dear Mr. _____:

Reference is made to your letter of May 1, 1941 and the enclosed copies of correspondence and two opinions of your Counsel relating to the question whether section 32 of the Banking Act of 1933 is applicable to Mr. "X" who is an officer and director of "B" Investment Company and of "A" Investment Corporation and a director of ("M" National Bank), _____, and to Mr. "Y" who is a director of "A" Investment Corporation and a director of ("N" National Bank), _____.

It appears that "A" Investment Corporation and "B" Investment Company are organizations of the kind sometimes called "investment trusts". "C" Securities Company, a wholly-owned subsidiary of the former, was apparently created for the purpose of selling and distributing the shares of the former, and after all of such shares had been sold, "B" Investment Company was organized and the principal activity of "C" Securities Company is now the sale and distribution of the shares of "B" Investment Company, for which it receives a premium of 8 per cent of the offering price. The portfolio of "B" Investment Company is managed by "A" Investment Corporation, for which the latter receives a quarterly fee of 1/8 of 1 per cent of the asset value of the outstanding shares of the former. A fourth organization in the group, _____ Fund, was organized to handle installment sales of the shares of "B" Investment Company, but is no longer active.

For the purpose of his opinion, your Counsel treats "A" Investment Corporation and "C" Securities Company as one, and he further states that it appears from the information available that the "B" Investment Company was created at the direction of, and exists only as a convenience and source of income for, "A" Investment Corporation. Therefore, it would appear to be proper to consider all three organizations as one in determining the applicability of section 32.

As stated above, "A" Investment Corporation is no longer engaged in issuing or distributing its shares, but "B" Investment Company is so engaged, through the medium of "C" Securities Company. During 1939, 47,442 shares were thus sold, and during 1940, 10,088 were sold. During these two years a total of 87,206 were redeemed, and at the end of 1940 there were 431,233 shares outstanding. Therefore the case has many points of similarity with that discussed in the Federal Reserve

Bulletin for 1941 at page 399 (F.R.L.S. #7610), the principal difference being the volume of sales.

On this point, however, your Counsel expresses the opinion that a decision as to whether or not a corporation of this kind is "primarily engaged" in the issue, flotation, public sale or distribution of securities should not be predicated upon the volume of sales effected during a given period, but upon the purpose for which the corporation is organized and operated, the manner in which it functions, and the sources from which it derives its operating revenue, because otherwise it could be said, during a period of depression when sales were at a low ebb, that it was not "primarily engaged" in the business described in the statute. In other words, the purpose and functions of the organization are the important factors, and although they may be apparent from a large volume of sales actually effected, they may be apparent from a number of other facts (including, for example, the extent of the sales organization maintained by the corporation and the extent of its sales efforts) even in the absence of a large volume of sales.

With respect to "B" Investment Company your Counsel concludes: "The structure, history and purposes for which this organization was organized, the manner in which its operating capital is acquired, and the manner in which it functions, in my opinion, mark it as a corporation 'primarily engaged' in the issue, public sale and distribution of its stock." He further concludes that section 32 is applicable both to Mr. "X" and Mr. "Y".

On the basis of the information submitted, the Board sees no reason to differ with this opinion. Incidentally, since the amendment of section 32 by the Banking Act of 1935, the Board has not regarded "turnover" in the portfolios of such organizations (as distinguished from underwriting, distributing, etc.) as constituting the kind of business described in the section. However, it does not appear that this affects the opinion above stated.

Very truly yours,

(Signed) L. P. Bethea

L. P. Bethea,
Assistant Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-270

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



June 16, 1941

Dear Sir:

There have been forwarded to you today under separate cover the indicated number of copies of the following forms, a copy of each of which is attached hereto, for the use of State bank members and their affiliates in submitting reports as of the next call date:

Number of
copies

- Form F.R. 105 (Call 87), Report of condition of State bank member.
- Form F.R. 105b (Revised August 1939), Loans and advances to affiliates and investments in and loans secured by obligations of affiliates.
- Form F.R. 105e (Call 87), Publisher's copy of report of condition of State bank member.
- Form F.R. 105h (Revised June 1939), Branch bank report of condition.
- Form F.R. 105-i (Schedule "A.1"), Retail installment paper.
- Form F.R. 220 (Revised August 1935), Report of affiliate or holding company affiliate.
- Form F.R. 220a (Revised December 1938), Publisher's copy of report of affiliate or holding company affiliate.
- Form F.R. 220b (Revised February 1938), Instructions for preparation of reports of affiliates and holding company affiliates.

No change has been made in any of the forms listed above since the last time they were used.

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It is suggested that the schedules of personal and retail installment paper (form F.R. 105-i) of all member banks (national and State) be scrutinized to see if the figures appear to be reasonable, consistent with the general classification of loans shown in Schedule A, and comparable with the corresponding data reported as of December 31, 1940. If you have occasion to send letters on this subject to national banks, it is suggested that copies thereof be sent to the Comptroller of the Currency and that the national banks be requested to advise the Comptroller and your Bank of any corrections that may be necessary.

Under existing instructions, each Federal Reserve Bank furnishes the Board, within three weeks of the date on which the call for condition reports is announced, with a summary statement showing the amounts of asset items 1 to 5, inclusive, as reported by central reserve city member banks, reserve city member banks, and country member banks, respectively. It will be appreciated if you will have this summary subdivided hereafter so as to show separately figures for national banks and State bank members, respectively, in central reserve cities, in reserve cities, and outside such cities.

Form F.R. 105h, it will be noted, is unchanged from June 1940, when branch reports were last required. Reports on this form should be submitted in duplicate by each State bank member, which, according to Schedule DD, operates one or more domestic branches. No copies of this form need be sent, of course, to any State bank members that do not appear to have branches.

Very truly yours,



S. R. Carpenter,
Assistant Secretary.

Enclosures 8

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS.

S-271
Reg. L-16

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

June 12, 1941

Mr. _____,
Chairman of the Board,
_____ Bank,
_____, _____.

Dear Sir:

Receipt is acknowledged of your letter of June 4, 1941, inquiring whether the provisions of section 8 of the Clayton Act relating to interlocking bank directorates are applicable to three mutual savings banks which have recently become members of the Federal Reserve System.

The statute prohibits interlocking directorates between a member bank and certain other types of banks, but provides that the "foregoing prohibition shall not apply in the case of any one or more of the following * * * (7) a mutual savings bank having no capital stock."

Therefore, in view of the fact that none of the three mutual savings banks which have recently become members of the Federal Reserve System has capital stock, the provisions of section 8 of the Clayton Act are not applicable to interlocking relationships between those banks and other banks.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Assistant Secretary.

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

June 23, 1941

Mr. _____,
First Vice President,
Federal Reserve Bank of _____,
_____, _____.

Dear Mr. _____:

This refers further to your letter of June 6, 1941, in which you state that one of the trust companies in your district which is contemplating establishing a Common Trust Fund has requested advice as to whether, in the periodical valuation of the assets in a Common Trust Fund, Series G savings bonds of the United States should be valued at par which is their cost and ultimate maturity value, or at their redemption value at the time of each valuation. These bonds are not transferable and, therefore, their liquidation value at any particular time is the amount at which they can be redeemed at that time.

The Board's Regulation F relating to Common Trust Funds operated under the provisions of section 17(c) of Regulation F requires that the written plan for the operation of each such Fund shall include, among other things, detailed provisions relating to the basis and method of valuing assets in the Fund, but the regulation does not undertake to prescribe any precise method of valuation. However, one of the principal reasons for the requirement in the regulation that the assets of such a Common Trust Fund be valued periodically is to determine the amount which a participating trust may withdraw on the valuation date and to determine the basis upon which new participations may be issued to trusts on such date. In the circumstances, it would seem to the Board that the most appropriate basis for valuing Series G bonds for purposes of such a Common Trust Fund would be the redemption value of such bonds. This conclusion has been checked informally with officers of trust companies in other districts which are operating Common Trust Funds and they agreed with the conclusion.

Very truly yours,

(Signed) L. P. Bethea

L. P. Bethea,
Assistant Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-273

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 30, 1941



Dear Sir:

In my letter, S-253, of March 11, 1941, you were advised that District and Division Contracting Officers of the Engineer Corps would request your Bank and Branches, if any, to furnish them from time to time with confidential reports regarding contractors being considered for construction projects. In view of the recent declaration by the President of an unlimited National Emergency, it is the desire of the War Department that everything possible be done to expedite the approval by the Under Secretary of War of requests for advance payments received from concerns awarded contracts by the War Department for supplies or construction.

Under date of June 30, 1941, a memorandum was addressed to the Chiefs of the Supply Arms and Services, by direction of the Under Secretary of War, signed by Brigadier General John W. N. Schulz, Director of Purchases and Contracts, a copy of which is enclosed. This memorandum advises that all contracting officers of the Supply Arms and Services of the War Department should support their approval of requests for advance payments by sufficient information regarding the financial position of contractors to enable the Under Secretary to pass upon such requests without further investigation, except in unusual cases. The memorandum further suggests that such information can best be obtained from the Federal Reserve Banks and Branches.

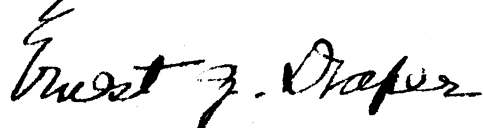
Following conferences with officials of the Office of the Under Secretary of War, it is suggested that the report of a Federal Reserve Bank contain information as to the management and reputation of the contracting company, a current balance sheet, and

- 2 -

a monthly forecast of disbursements for material, labor, etc., and the expected receipts for goods delivered under the contract. Such information will be helpful in determining the amount needed by the concern during the period of performance of the contract. It is also suggested that after reviewing the figures and making any necessary investigation, your Bank include in its report, if practicable, an opinion as to whether or not the advance payment requested should provide adequate funds for performance of the contract.

Your cooperation will be very much appreciated.

Very truly yours,



Ernest G. Draper.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

C O P YWAR DEPARTMENT
OFFICE OF THE UNDER SECRETARY
Washington, D.C.

FC-F 167

June 30, 1941

MEMORANDUM for The Chief of the Air Corps
 The Chief, Chemical Warfare Service
 The Chief of Coast Artillery
 The Chief of Engineers
 The Chief of Finance
 The Judge Advocate General
 The Chief, National Guard Bureau
 The Chief of Ordnance
 The Quartermaster General
 The Chief Signal Officer
 The Surgeon General

SUBJECT: Advance Payments to Contractors on Supply Contracts

1. In view of the declaration by the President of an unlimited National Emergency and in order that everything possible be done to expedite the approval of the Under Secretary of War to requests for advance payments, it is considered desirable that the following be brought to the attention of contracting officers:

- a. Approval of requests for advance payments will be expedited if an approved form of advance payment provisions (whether in the contract or in a supplemental agreement) is used and as few variations as possible are made therefrom. Enclosed are approved forms of Article and of supplemental agreement providing for advance payments on fixed price contracts, as well as an approved form of supplemental agreement providing for advance payments on cost-plus-a-fixed-fee contracts.

These approved forms of advance payment provisions are not new but are identical with those promulgated by various supply arms and services. It is not intended hereby to restrict the use of other forms now in general use.

The request may be accompanied by the exact advance payment provisions to be used; may state that an

approved form is to be used; or may state that an approved form is to be used with variations, stating the reasons for the variations.

- b. If the contract requires unusual provisions as a result of additional financing arrangements with the Reconstruction Finance Corporation, a Federal Reserve Bank or private financing institutions, the form of advance payment agreement, if the chief of the supply arm or service so desires, may be negotiated by the Office of the Under Secretary of War in collaboration with the office of the chief of the supply arm or service concerned, or with the contracting officer.
- c. In cases where a contractor has more than one contract with a supply arm or service and segregation of materials and separate accounting between the contracts are difficult or impracticable, the agreement may provide for advance payments on one or more than one of the contracts and may permit the use of such advance payments on any or all of the contracts.
- d. The question of adequacy of security for advance payments is one requiring the exercise of sound discretion and there is no requirement that an advance payment bond be furnished in every case. Contracting officers will not require such bonds unless in their judgment the circumstances of the particular case so require.
- e. It is necessary to the approval of a request for advance payments that the Under Secretary of War be satisfied that the amount of the advance payments together with the contractor's own funds and such other financing as he can obtain will be sufficient to enable him to perform the contract. In furtherance of the policy of decentralization, contracting officers should support their approval of requests for advance payments by sufficient information regarding the financial position of contractors to enable the Under Secretary of War to pass upon such requests without further investigation except perhaps in unusual cases. Such information can best be obtained from the Federal Reserve banks, the facilities of which have already been made available to contracting officers for this purpose. (See letter of this office to the chiefs of supply arms and services, dated December 9, 1940, Subject: "Field Contacts with Representatives of Federal Reserve Banks in connection with Procurement and Supply".) Particularly in cases of contractors of doubtful financial standing, a report from the Federal Reserve bank should accompany the request for advance payments.

f. Requests for advance payments may be made at any time and may be presented for approval either during the negotiation of a contract, at the time the contract is submitted for approval, or at any time thereafter, as will best assist in expediting the entering into and accomplishment of the contract.

2. Nothing herein contained shall be construed to in any way abrogate the provisions of letter of this office to the chiefs of supply arms and services, dated August 20, 1940, Subject: "Advance payments to contractors for supplies or construction".

By direction of the Under Secretary of War:

John W. N. Schulz
Brigadier General, U. S. Army
Director of Purchases and Contracts

Encs. (3)

Form of advance payment
Article for fixed price contracts
Form of supplemental agreement
for fixed price contracts
Form of supplemental agreement
for cost-plus-a-fixed-fee contracts

Officers at Federal Reserve Banks and Branches designated as representatives of the Defense Contract Service Section of the National Defense Advisory Commission and of the Board of Governors of the Federal Reserve System in connection with the National Defense program.

District No. 1 - Boston

Mr. E. G. Hult, Assistant Cashier,
Federal Reserve Bank of Boston,
Boston, Massachusetts

District No. 2 - New York

Mr. L. R. Rounds, First Vice President,
Federal Reserve Bank of New York,
New York, N. Y.

Mr. R. B. Wiltse, Assistant Manager,
Buffalo Branch, Federal Reserve Bank of New York,
Buffalo, New York

District No. 3 - Philadelphia

Mr. W. J. Davis, Vice President,
Federal Reserve Bank of Philadelphia,
Philadelphia, Pennsylvania

District No. 4 - Cleveland

Mr. R. B. Hays, Vice President and Secretary,
Federal Reserve Bank of Cleveland,
Cleveland, Ohio

Mr. B. J. Lazar, Managing Director,
Cincinnati Branch, Federal Reserve Bank of Cleveland,
Cincinnati, Ohio

Mr. P. A. Brown, Managing Director,
Pittsburgh Branch, Federal Reserve Bank of Cleveland,
Pittsburgh, Pennsylvania

District No. 5 - Richmond

Mr. R. W. Mercer, Assistant Cashier,
Federal Reserve Bank of Richmond,
Richmond, Virginia

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District No. 5 - Richmond (Continued)

Mr. W. R. Milford, Managing Director,
Baltimore Branch, Federal Reserve Bank of Richmond,
Baltimore, Maryland

Mr. W. T. Clements, Managing Director,
Charlotte Branch, Federal Reserve Bank of Richmond,
Charlotte, North Carolina

District No. 6 - Atlanta

Mr. M. H. Bryan, Vice President,
Federal Reserve Bank of Atlanta,
Atlanta, Georgia

Mr. P. L. T. Beavers, Managing Director,
Birmingham Branch, Federal Reserve Bank of Atlanta,
Birmingham, Alabama

Mr. T. A. Lanford, Cashier,
Jacksonville Branch, Federal Reserve Bank of Atlanta,
Jacksonville, Florida

Mr. J. B. Fort, Jr., Managing Director,
Nashville Branch, Federal Reserve Bank of Atlanta,
Nashville, Tennessee

Mr. L. M. Clark, Managing Director,
New Orleans Branch, Federal Reserve Bank of Atlanta,
New Orleans, Louisiana

District No. 7 - Chicago

Mr. A. L. Olson, Assistant Vice President and Assistant Secretary,
Federal Reserve Bank of Chicago,
Chicago, Illinois

Mr. H. J. Chalfont, Managing Director,
Detroit Branch, Federal Reserve Bank of Chicago,
Detroit, Michigan

- 3 -

District No. 8 - St. Louis

Mr. L. H. Carstarphen, General Counsel,
Federal Reserve Bank of St. Louis,
St. Louis, Missouri

Mr. A. F. Bailey, Managing Director,
Little Rock Branch, Federal Reserve Bank of St. Louis,
Little Rock, Arkansas

Mr. C. A. Schacht, Managing Director,
Louisville Branch, Federal Reserve Bank of St. Louis,
Louisville, Kentucky

Mr. W. H. Glasgow, Managing Director,
Memphis Branch, Federal Reserve Bank of St. Louis,
Memphis, Tennessee

District No. 9 - Minneapolis

Mr. H. I. Ziemer, Vice President and Cashier,
Federal Reserve Bank of Minneapolis,
Minneapolis, Minnesota

Mr. R. E. Towle, Managing Director,
Helena Branch, Federal Reserve Bank of Minneapolis,
Helena, Montana

District No. 10 - Kansas City

Mr. H. G. Leedy, First Vice President,
Federal Reserve Bank of Kansas City,
Kansas City, Missouri

Mr. J. E. Olson, Managing Director,
Denver Branch, Federal Reserve Bank of Kansas City,
Denver, Colorado

Mr. G. H. Pipkin, Managing Director,
Oklahoma City Branch, Federal Reserve Bank of Kansas City,
Oklahoma City, Oklahoma

Mr. L. H. Earhart, Managing Director,
Omaha Branch, Federal Reserve Bank of Kansas City,
Omaha, Nebraska

- 4 -

District No. 11 - Dallas

Mr. E. B. Stroud, First Vice President and General Counsel,
Federal Reserve Bank of Dallas,
Dallas, Texas

Mr. J. L. Hermann, Managing Director,
El Paso Branch, Federal Reserve Bank of Dallas,
El Paso, Texas

Mr. W. D. Gentry, Managing Director,
Houston Branch, Federal Reserve Bank of Dallas,
Houston, Texas

Mr. W. E. Eagle, Cashier,
San Antonio Branch, Federal Reserve Bank of Dallas,
San Antonio, Texas

District No. 12 - San Francisco

Mr. W. M. Hale, Vice President and Secretary,
Federal Reserve Bank of San Francisco,
San Francisco, California

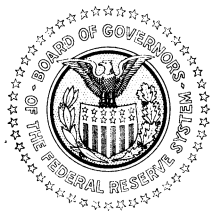
Mr. H. M. Craft, Assistant Manager,
Los Angeles Branch, Federal Reserve Bank of San Francisco,
Los Angeles, California

Mr. S. A. MacEachron, Assistant Manager,
Portland Branch, Federal Reserve Bank of San Francisco,
Portland, Oregon

Mr. J. M. Leisner, Assistant Manager,
Salt Lake City Branch, Federal Reserve Bank of San Francisco,
Salt Lake City, Utah

Mr. F. C. Bold, Assistant Manager,
Seattle Branch, Federal Reserve Bank of San Francisco,
Seattle, Washington

February 12, 1941.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

324
B-1254

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 29, 1941

Dear Sir:

Attached is a statement showing the present stock of 1934 series new Federal Reserve notes of your bank in denominations from \$10 to \$100, inclusive, the amount of such notes being printed, and estimated printing requirements for the fiscal year 1942. In arriving at the estimated printing requirements, as indicated in the attached statement, we have taken the average amount of 1928 and 1934 series Federal Reserve notes of each of these denominations in circulation on month ends from April, 1940, to March 1941, as the reserve stock which it is desirable to maintain and the amount of 1928 and 1934 series Federal Reserve notes returned to the Comptroller of the Currency in 1940 as the probable requirements for new issues during the fiscal year 1942. It will be appreciated if you will advise us at your early convenience whether the suggested printing order for your bank meets with your approval.

In view of existing circumstances it is believed that the stock of notes of the \$5 denomination is adequate and it is suggested that requests for printing of the \$500 denomination and over be made as and when it becomes necessary. Supplementary printings of Federal Reserve notes in denominations from \$10 to \$100 may, of course, be ordered at any time, should the stock of such notes become inadequate.

Very truly yours,

E. L. Smead, Chief,
Division of Bank Operations.

Enclosure