

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-903



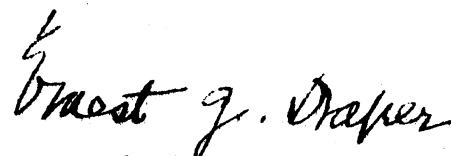
ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 11, 1941

Dear Sir:

There is enclosed for your information a copy of a letter written today to Mr. Floyd B. Odum, Director of the Division of Contract Distribution, in which the Board requests him to make arrangements as promptly as practicable for the payment by the Division of Contract Distribution of all salaries and other expenses of the field offices now paid by the Federal Reserve Banks and their branches on a reimbursable basis. There is also enclosed a copy of a statement which the Board will give to the Press on Monday, October 13, 1941, with respect to this matter.

Very truly yours,


Ernest G. Draper,

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October 11, 1941

Mr. Floyd B. Odlum, Director,
Division of Contract Distribution,
Office of Production Management,
Social Security Building,
Washington, D. C.

Dear Mr. Odlum:

During our discussions last Thursday afternoon of the program of expansion of the Division of Contract Distribution, Chairman Eccles reviewed the origin and development of the relationship of Federal Reserve Banks to the Defense Contract Service. As you were advised, the arrangements which have been in effect grew out of the request that had been made by the National Defense Advisory Commission on October 25, 1940, and during the formative stage of the Defense Contract Service the Federal Reserve Banks, with their existing organizations at 12 head offices and 24 branch cities, were in a position to perform, and did perform valuable services for the Defense Contract Service in the establishment and maintenance of its field organizations. In view of the close association of the two organizations and the small amount of funds which had been made available to the Defense Contract Service, the Federal Reserve Banks relieved the Defense Contract Service of many of the details connected with the setting up and operation of its field offices. They furnished or assisted in the selection of personnel; they provided office space, where available; and they acted as paymasters for it; in addition the Board and the Federal Reserve Banks incurred substantial expense in their liaison capacity as clearing houses for information and advice to prospective contractors and to the procurement officers of the military services.

This situation has now undergone a very material change because of the replacement of the Defense Contract Service by the Division of Contract Distribution and the plans which you have outlined for a greatly expanded and enlarged type of organization. You have stated that the operating offices now in the Federal Reserve Bank buildings are to be moved as soon as practicable to other locations; that there will be at least one office, and probably several offices, in each

Mr. Floyd B. Odium

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State; that each office will be in charge of a Manager or Supervisor, who will report directly to Washington, and that while these offices may be grouped roughly on a Federal Reserve District basis for administrative purposes, the supervision of this arrangement will be in the hands of representatives of your office operating out of Washington.

It thus becomes clear that there is no occasion for the Federal Reserve Banks to participate in matters of organization or administration of the new set-up and consequently they should not handle the payrolls or other expenses of the new organization. In other words, the relations of the Federal Reserve Banks to the new organization should be on the same basis as in the case of any other Governmental agency.

It was therefore understood from our discussion that all arrangements for your new field organization will be made by your office and that all expenses will be paid by your organization.

The Federal Reserve Banks, of course, will be glad to be of every possible assistance in expediting the accomplishment of your reorganization plans.

The Federal Reserve Banks will also continue to render every service desired in the way of advice to your organization, to prospective contractors, and to the procurement officers of the military services in regard to matters of financing and credit information connected with the defense program. To this end there will continue to be at each Federal Reserve Bank and Branch a designated officer with whom contacts may be made for this purpose. In this connection, it was understood that you will keep the Board of Governors and the Federal Reserve Banks advised as to the development of your plans in so far as they concern the Federal Reserve Banks and, particularly, as to the locations of your new field offices and as to the names of the officers in charge of them.

A copy of this letter is being sent to the President of each Federal Reserve Bank for the guidance of his organization in its future relations with the Division of Contract Distribution.

Very truly yours,

(Signed) E. G. Draper.