

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, February 3, 1947.

PRESENT: Mr. Eccles, Chairman
Mr. Draper
Mr. Evans
Mr. Vardaman

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Morrill, Special Adviser
Mr. Thurston, Assistant to the Chairman

Minutes of actions taken by the Board of Governors of the Federal Reserve System on January 29, 1947, were approved unanimously.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on January 30 and 31, 1947, were approved and the actions recorded therein were ratified unanimously.

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

"The Board of Governors approves the changes in the personnel classification plan of the Federal Reserve Bank of New York, involving the Cable Division of the Foreign Department, as submitted with your letter of January 29, 1947."

Approved unanimously.

Letter to Mr. Earhart, President of the Federal Reserve Bank of San Francisco, reading as follows:

"The Board of Governors approves the changes in the personnel classification plan of the Federal Reserve Bank of San Francisco and its Branches, as submitted with your letter of January 23, 1947."

Approved unanimously.

2/3/47

-2-

Letter to Mr. Dillard, Vice President of the Federal Reserve Bank of Chicago, reading as follows:

"This refers to your letter of January 14, 1947, in reply to the Board's letter to you of January 7, 1947, regarding the interpretation of section 6(h) of Regulation W which concerns 'Sets and Groups of Articles'.

"In view of the purpose of the section, which was to minimize any tendency on the part of sellers to break up into parts combinations of things ordinarily sold together in order to get each part below \$50 and thereby avoid the operation of the regulation, it has seemed to us that we should not extend the section to cover all combinations however composed. We have the impression that such a rule as you suggest, while perhaps somewhat more clean cut, would develop considerable opposition. We recognize that the rule as now in effect does not carry out the stated purpose perfectly, but it would seem to come as close to that purpose as any proposal so far considered, while at the same time attaining some degree of administrative feasibility.

"Nor are we sure that the proposal you have made would be completely satisfactory administratively. You have suggested, in effect, that any combination of items be deemed to be an 'article' if offered at a single price. This would seem to exclude any combination where the separate items are priced separately, even if they could only be bought together.

"The criteria we have suggested are certainly not free from a degree of uncertainty. But we should like to try them out to see how they work in practice. One reason for this is that we would prefer not to amend the regulation at this time.

"The suggestion you have made about the relationship requirement — that one or both of the items may have appreciably less utility or worth if acquired separately — is a helpful idea, and we are amplifying the proposed interpretation to cover this point.

2/3/47

-3-

"We do not believe it can be made a hard and fast rule, but it will serve to assist in the making of a decision in a number of cases. On this basis, it seems to us that, notwithstanding our letter to you of June 26, 1946, a rug and rug-pad should be considered a set, while a lamp-table and table lamp should not.

"We should much appreciate being informed as to how the rules work out in actual practice."

Approved unanimously, together
with a letter to the Presidents of
all the Federal Reserve Banks read-
ing as follows:

"In reply to a recent request for its advice regarding the application of section 6(h) of Regulation W covering 'Sets and Groups of Articles' the Board expressed the following views.

"In determining whether several items are to be considered a single 'article' for purposes of Regulation W, as a 'set, group, or assembly', three basic requisites must be considered:

1. The items must be so related as to constitute a set, group, or assembly;
2. They must be commonly merchandised as a single unit; and
3. They must be sold or delivered at substantially the same time.

"The first requisite is that the items shall be related. This is principally a matter of function. Examples which would be included are components of a sectional bookcase, dining-room table and extension leaves, lounge chair and matching ottoman, living-room, dining-room, and bedroom suites. On the other hand, a refrigerator and a vacuum cleaner or a radio and a chair clearly would not be deemed sets even if offered in combination. Similarity of design would be a contributing factor, confirming the determination made on functional grounds and helping to decide doubtful cases. But some variation in design would be possible without necessarily excluding the items from being considered to be a set. In many instances, one or both of the items would have appreciably less utility or worth to the purchaser if acquired separately, as for example in the case of a rug-pad and rug but not in the case of a lamp-table and table lamp.

2/3/47

-4-

"The second requisite is that the items shall be commonly merchandized as a single unit. This requisite refers to the merchandising practices of the particular seller, and practices in the particular trade would be significant in throwing light on the practices of the seller. The essential consideration is how the items are offered to customers. In this connection, such matters as the ways in which the items are advertised, ticketed, and priced would be important. When they are available at a price which is less than the total of the prices for the components if bought separately or when it is only seldom that the seller is willing to sell them separately, there would be a strong indication that the items are to be considered a set. In some cases, the same items will be offered both as sets and for individual purchase, as when a tank type vacuum cleaner and a motor-driven brush type vacuum cleaner are offered separately and also in combination at a reduced price.

"The third requisite is self-explanatory.

"In order for section 6(h) of Regulation W to be applicable to the items as a set, all three requisites must be present. For example, a sofa and matching lounge chair or bed-springs and mattress might meet fully the requirement that they be related, but the method of offering might be such that they are separately priced, without reduction when bought in combination, and the customer has a free choice as to whether he will buy one or the other or both. In such cases, the items would not be considered to be a set even though bought at the same time."

Letter to the Presidents of all the Federal Reserve Banks

reading as follows:

"As you know, the question whether kitchen cabinets should be classified as furniture for the purposes of Regulation W has been the subject of much study and correspondence. The first ruling (F.R.L.S. #8667) listed kitchen cabinets with stools, chairs and other items which were obviously furniture, and a more recent ruling (F.R.L.S. #8667.5) refers to the fact that many kitchen cabinets are permanently installed and are of such a character as to raise a question

2/3/47

-5-

"whether they should be classified as furniture. However, this latter ruling said that for administrative reasons it seemed undesirable to attempt to distinguish between those which are permanently installed and those which are portable. The problem has been accentuated by the amendments to the Regulation which exempted repair and modernization credits.

"The Board and the Reserve Banks have assembled considerable information regarding the matter since the above rulings were made and on balance it appears that at the present time a substantial number of the cabinets selling for more than \$50 - the only cabinets which would be subject to the Regulation - represent installations of a kind which would not normally be considered to be furniture by the trade. In part this development has been the result of a growth in the kitchen cabinet business which has emphasized types which were not so prominent five years ago. The Board considers that any attempt to hold that some cabinets are subject to the regulation and others not would be administratively unworkable. It has accordingly concluded that the previous rulings should be reversed in toto and the classification 'furniture' should no longer be considered as including any type of kitchen cabinet.

"The following ruling will appear in the Federal Reserve Bulletin and can be made available to Registrants:

'In view of recent developments in the type of kitchen cabinets currently being marketed in volume, the Board has reviewed its previous rulings (1941 Federal Reserve Bulletin, p. 848 and 1946 Federal Reserve Bulletin, p. 1240) and has concluded that kitchen cabinets should no longer be considered to be "furniture" for purposes of Regulation W.'"

Approved unanimously.

Letter prepared in accordance with the action taken at the meeting of the Board on January 27, 1947, to the Presidents of all the Federal Reserve Banks and reading as follows:

"In its letter of October 30, 1936 (X-9729) the Board set forth its position with respect to participation in and support of activities of the American

2/3/47

-6-

"Institute of Banking by the Federal Reserve System, including the selection of officers and employees to attend the Graduate School of Banking at Rutgers. Its letters of February 26, 1937 (X-9829), December 28, 1938 (S-137), and January 13, 1939 (S-141) contain further expressions of the Board's views on this matter.

"Question has arisen as to attendance of officers and employees of Federal Reserve Banks at the Central States School of Banking at the University of Wisconsin and the Pacific Northwest School of Banking at the University of Washington, and in that connection the Board has reviewed again the entire question of attendance at banking schools and its policy in the matter is contained in the statement set forth below which supersedes the two paragraphs under the heading 'Selection of officers and employees to attend the Graduate School' in the statement accompanying the Board's letter of October 30, 1936 (X-9729) and the other three letters referred to above.

'Selection of officers and employees to attend
banking schools

'The Board feels that officers and employees of the Federal Reserve Banks should be encouraged to participate in the Graduate School of Banking, the Central States School of Banking and the Pacific Northwest School of Banking, and that the Federal Reserve Banks should follow a System policy which is as nearly uniform in its application as may be practicable in view of the varying local conditions and responsibilities of the individual Federal Reserve Banks. To this end the Board would interpose no objection to the payment by each Federal Reserve Bank of the transportation expenses to and from the schools and the registration and resident and extension tuition fees of officers and employees selected to attend, and the granting to such officers and employees of leave of absence with pay of such duration as may be necessary to enable them to attend the resident sessions of the schools, in addition to their regular annual vacations. As it is felt that each student should have a personal financial stake in attending one of these schools and that the Federal Reserve Bank should not bear the entire expense, it appears reasonable that the student should be expected to pay his living expenses, and that, therefore, no reimbursement should be made by the Federal Reserve Banks for dormitory and dining hall charges and incidental expenses.

2/3/47

-7-

"Under the policy that has been in effect in the past, total attendance at the Graduate School of Banking of representatives from the Federal Reserve System has been limited in order to prevent System representation from becoming disproportionate in relation to the entire student body of the school. While the Board does not believe that it should provide for a specific limitation on the number of officers and employees that might be sent to the banking schools by any Federal Reserve Bank, an arrangement should be retained to review the situation with respect to the total number proposed to be sent by the Federal Reserve Banks and the Board each year. Accordingly, it is requested that as soon after the first of each year as possible and not later than February 1, each Federal Reserve Bank advise the Board of the total number of officers and employees it proposes to send to the various banking schools. As soon as this advice is received from all of the Federal Reserve Banks each Bank will be informed whether the total number proposed to be sent is too large in relation to the total student body of each school and, in the event it is, the necessary reduction will be worked out.

The advice sent to the Board regarding the prospective attendance of officers and employees at each banking school should include the following:

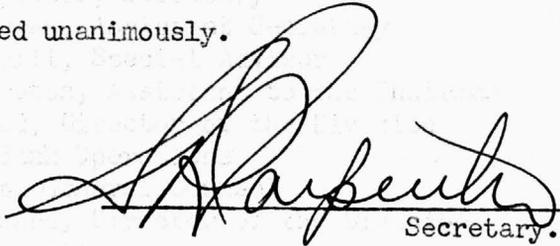
- (a) Total number who will attend forthcoming session
- (b) Number of first-year students
- (c) Number of second-year students
- (d) Number of third-year students
- (e) Number who will be granted necessary leave with pay
- (f) Number whose transportation expenses will be paid by bank
- (g) Number whose registration and resident and extension tuition fees will be paid by bank
- (h) Number who will attend entirely at their own expense during their annual vacations

2/3/47

Minutes of the Board of Directors of the Federal Reserve Bank of New York
The Board met in the Board Room
"(i) Number who have attended the first or second sessions, or both, but who will not attend the forthcoming session."

"Reports have been received that registrations at the Graduate School of Banking at Rutgers University are heavy and, therefore, prospective students should file their applications promptly."

Approved unanimously.


Secretary.

Approved:


Chairman.

business, attending the meeting of the American Bankers Association and a meeting of the Board of Directors of the Federal Reserve Bank of New York.
The Secretary read the minutes, dated January 27, 1947, prepared by Mr. Board in response to the request made at the meeting of the Board on December 17, 1946, relating to the preparation and submission of annual budgets by the Federal Reserve Banks. The minutes also discussed the instructions of the Board in connection with the preparation of such budgets and other expenditures of the Banks for the year ending December 31, 1946, and