Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, November 5, 1948. The Board met in the Board Room at 10:30 a.m.

PRESENT: Mr. McCabe, Chairman  
Mr. Szymczak  
Mr. Draper  
Mr. Evans  
Mr. Clayton  
Mr. Carpenter, Secretary  
Mr. Sherman, Assistant Secretary  
Mr. Morrill, Special Adviser  
Mr. Thurston, Assistant to the Board  
Mr. Thomas, Director of the Division of Research and Statistics  
Mr. Nelson, Director of the Division of Personnel Administration  
Mr. Townsend, Associate General Counsel

There were presented telegrams to the Federal Reserve Banks of Boston, New York, Philadelphia, Atlanta, Chicago, St. Louis, and Kansas City stating that the Board approves the establishment without change by the Federal Reserve Bank of St. Louis on November 3, by the Federal Reserve Banks of New York, Philadelphia, Atlanta, Chicago, and Kansas City on November 4, 1948, and by the Federal Reserve Bank of Boston today of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Mr. Evans stated that Chairman McCabe recently suggested that the Board not submit topics for discussion at the meeting of the Federal Advisory Council on November 14-16, 1948, and that he agreed
with this suggestion. He also said that Chairman McCabe had talked with Mr. Brown, President of the Federal Advisory Council, and that this arrangement was acceptable to him. The members of the Board present concurred with the foregoing suggestion.

Mr. Evans stated that, subsequent to the meeting of the Board with the Presidents of the Federal Reserve Banks on October 5, 1948, he discussed with Mr. Bartelt, Fiscal Assistant Secretary of the Treasury, the question raised by the Presidents as to whether the Commodity Credit Corporation might increase from 1-1/2 to 1-3/4 percent the interest rate allowed banks in connection with financing Commodity Credit Corporation crop loans, and that Mr. Bartelt said his concern would be with the question whether the Treasury would be called upon to do the financing if the interest rate were not increased. Mr. Evans went on to say that Mr. Bartelt informed him he discussed this question with Mr. R. H. Fuchs, Acting Director of the Fiscal Branch, Production and Marketing Administration, in September and that Mr. Fuchs stated that he felt there would be no difficulty in obtaining support of the banks for their program with the present interest rate, that if the rate allowed banks were increased it would be necessary for the Commodity Credit Corporation to increase the rate charged producers; that the matter was discussed with representatives of the American Bankers Association who did not like the idea of an increase in the rate to producers for the purpose suggested, and that the Commodity Credit Corporation would not find it possible
to give the banks a larger share of the 3 per cent rate now charged to producers. Mr. Evans stated that Mr. Bartelt had given him copies of correspondence and a memorandum with respect to the matter, that these copies had been sent to Mr. Leedy, President of the Federal Reserve Bank of Kansas City, for his information, and he (Mr. Evans) would suggest that no further action be taken by the Board at this time with the thought that if necessary the matter could be reconsidered next year.

Mr. Evans' suggestion was approved unanimously, with the understanding that Mr. Evans would report the developments in the matter to the Presidents at the time of the next Presidents' Conference.

Reference was made to a memorandum from Mr. Thomas dated October 19, 1948, stating that, pursuant to the action of the Board on September 29, 1943, the System Committee on Current Business Developments at its meeting in Boston on October 16, 1948, considered the question of possible studies by the Federal Reserve Banks of the effect of the recent Supreme Court decision on basing point pricing. The memorandum went on to say that studies of this type were well adapted to the regional research program and it recommended that the Board give its approval to the proposal submitted by the Federal Reserve Bank of Atlanta under date of September 17, 1943, and that Bank be permitted to exceed its current research budget by as much as $25,000 for the purpose of undertaking the study.
In this connection Mr. Carpenter read a memorandum from Mr. Eccles dated October 26, 1948, in which he stated that he would be opposed to the proposal of the Atlanta Bank principally for the reason that the study was outside the field that should be covered by the research departments of the System.

Mr. Evans said that he would not wish to recommend approval of the request from the Atlanta Bank because he felt the issue of basing point pricing would have to be settled by Congress. Mr. Draper expressed a similar view. Mr. Szymczak stated he would not wish to vote against the study proposed by the Atlanta Bank, but that he felt it should be deferred until there was an indication whether Congress would take any action with respect to the Supreme Court decision.

Mr. Thomas reiterated the view that the study was one ideally suited to regional research, that the ramifications of the basing point decision would have important effects upon economic development in various sections of the country, and that a decision by the Board that the Banks should not make studies of this type would discourage the regional research program which had been undertaken by the Federal Reserve Banks at the suggestion of the Board.

In the course of the discussion it was suggested that Chairman McCabe discuss the matter with Mr. Neely, Chairman of the Federal Reserve Bank of Atlanta, when he visited that Bank next week.

This suggestion was approved unanimously.
Chairman McCabe referred to a letter from Mr. Avery, Chairman of the Federal Reserve Bank of Chicago, dated October 29, 1948, stating that, on orders of his physician, he would not be able to continue as Chairman and a Class C director of the Federal Reserve Bank of Chicago after his term expired at the end of this year. Chairman McCabe suggested that, in view of the reason for Mr. Avery's letter, the Board had no choice but to accept his decision.

The other members of the Board present concurred.

In a discussion of a possible successor to Mr. Avery, reference was made to the suggestion in Mr. Avery's letter that consideration be given to Mr. Nicholas H. Noyes, presently a Class B director of the Chicago Bank living in Indianapolis, Indiana. Mr. Szymczak expressed the view that it would be desirable to select a Chairman who lived in Chicago.

Chairman McCabe suggested that when Mr. Szymczak was in Chicago later this month, he look into the question of a possible appointee and that he find out more about Mr. Noyes as a possible successor to Mr. Avery.

Chairman McCabe's suggestion was approved unanimously.

Reference was made to the decision announced by Judge Morris of the United States District Court for the District of Columbia on November 3, 1948, dismissing the complaint for injunction against the Board filed by Transamerica Corporation on October 8, 1948, and
discussed at the meeting on October 11, 1948. Mr. Townsend suggested
that, in view of the action of the Court, the date for hearing of
the charges in the Complaint issued by the Board against Transamerica
Corporation on June 24, 1948, under the provision of Section 11 of
the Clayton Act, be set for a time within the next 30 days.

There was a discussion of a date for
the hearing, at the conclusion of which,
upon motion by Mr. Evans, the following
notice was approved unanimously:

"UNITED STATES OF AMERICA
BEFORE THE
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

"IN THE MATTER OF
TRANSAMERICA CORPORATION

"NOTICE

"Notice is hereby given you, Transamerica Corporation,
that the 7th day of December, A. D. 1948, at 10:30 o'clock
in the forenoon, is hereby fixed as the time and the offices
of the Board of Governors of the Federal Reserve
System, in the City of Washington, D. C., as the place,
when and where a hearing will be had on the charges set
forth in the complaint issued by the Board on June 24,
1948, under the provisions of Section 11 of the Clayton
Act, at which time and place you shall have the right,
under said Act, to appear and show cause why an order
should not be entered by said Board requiring you to
cease and desist from the violation of the law charged
in said complaint and to divest yourself of the stock of
the Citizens National Trust & Savings Bank, Los Angeles,
California, and the stocks of any or all of those banks
listed in Paragraph Four of said complaint.

"IN WITNESS WHEREOF, the Board of Governors of the
Federal Reserve System has caused this notice to be signed
by its Secretary, and its official seal to be hereto af-
fixed, at Washington, D. C., this 5th day of November,
A. D. 1948.

"By the Board.

(signed) S. R. Carpenter
Secretary"
The following statement for the press was also approved unanimously:

"At its meeting on Friday, November 5, 1948, the Board ordered that the hearing on the charges contained in the Board's complaint of June 24, 1948, against Transamerica Corporation be scheduled to commence at the offices of the Board at 10:30 A.M. on December 7, 1948."

Mr. Szymczak stated that because of a speaking engagement in Illinois on November 20, 1948, he would not be able to be present at a meeting of the Board on Friday, November 19, 1948, and he suggested that the discussion of the question of a further increase in reserve requirements, scheduled for discussion at that time, be postponed until the meeting on Tuesday, November 23.

It was agreed unanimously that the discussion of this topic would be postponed in accordance with the request of Mr. Szymczak.

Mr. Evans said that he would like to have considered a suggestion that, as a means of making membership in the Federal Reserve System more attractive as well as aiding in stabilizing the Government bond market, the System might make a public announcement that any holder of marketable issues of Government bonds could take them to any bank which was a member of the Federal Reserve System and obtain par plus accrued interest for the bonds, the member bank to act as agent for the Federal Reserve Bank of its district with the privilege of immediately turning them over to the Reserve Bank and receiving payment therefor plus a service fee or to have the option
of holding the securities for its own account, if eligible for investment by the bank, until the next coupon matured or interest payment was due. The suggestion was discussed, and it was recognized that it concerned a matter which should be considered by the Federal Open Market Committee or its executive committee.

At this point Messrs. Sherman, Morrill, Thurston, Thomas, Nelson, and Townsend withdraw from the meeting.

Chairman McCabe stated that earlier in the morning he had received a telephone call from Mr. Creighton, Chairman of the Federal Reserve Bank of Boston, who stated that the directors had informally agreed that appointment as President of the Federal Reserve Bank of Boston should be tendered to Mr. Joseph A. Erickson, Executive Vice-President of The National Shawmut Bank of Boston, Boston, Massachusetts. Chairman McCabe also said that Mr. Creighton had brought Mr. Erickson to Washington to visit and have luncheon with members of the Board today and that he (Chairman McCabe) and Mr. Draper made independent checks with respect to Mr. Erickson which indicated that he was the most capable vice president in the Shawmut Bank and well qualified for the position as President of the Federal Reserve Bank.

Mr. Clayton stated that he had known Mr. Erickson for a number of years and that he was a most capable individual. He also said that while he was in the West he discussed the matter with Mr. Eccles who also knew Mr. Erickson and indicated that his appointment would
be satisfactory to him. Mr. Clayton added that the suggestion had been made that if Mr. Erickson were appointed it would be desirable if he could arrange to spend a week or so at the Board's offices and also visit two or three of the Federal Reserve Banks before he assumed his duties. The other members of the Board present indicated agreement with this suggestion.

Following a discussion of Mr. Erickson's qualifications and experience as they were known to the Board, Mr. Draper moved that the Secretary be requested to advise Messrs. Eccles and Vardaman of the discussion at this meeting and that, in the absence of objection from them, Chairman McCabe be authorized to advise Mr. Creighton informally that the Board of Governors would approve the appointment of Mr. Erickson as President of the Federal Reserve Bank of Boston if made by the board of directors of the Bank. In taking this action it was understood that, if possible, a program would be worked out along the lines suggested by Mr. Clayton to have Mr. Erickson visit the Board's offices and two or three of the Federal Reserve Banks before he assumed his duties as President of the Federal Reserve Bank of Boston.

Mr. Draper's motion was put by the Chair and carried unanimously.

Secretary's Note: Following the meeting Mr. Carpenter called Messrs. Eccles and Vardaman, and Mr. Eccles stated that if he were present he would vote to approve the appointment. Mr. Vardaman stated that in view of the position of the other members of the Board on the matter he would interpose no objection to approval of the appointment of Mr. Erickson. Upon being informed of the views of Messrs. Eccles and Vardaman, Chairman McCabe informed Mr. Creighton in accordance with the action taken at this meeting.

The action stated with respect to each of the matters herein-after referred to was then taken by the Board:
Minutes of actions taken by the Board of Governors of the Federal Reserve System on November 4, 1948, were approved unanimously.

Letter to the Honorable Maple T. Harl, Chairman, Federal Deposit Insurance Corporation, reading as follows:

"In accordance with the request contained in your letter of November 1, 1948, the Board of Governors of the Federal Reserve System hereby grants written consent, pursuant to the provisions of sub-section (k)(2) of Section 12B of the Federal Reserve Act, for examiners for the Federal Deposit Insurance Corporation to make an examination of The North Side Bank, Evansville, Indiana, in connection with its application for continuance of insurance after withdrawal from membership in the Federal Reserve System.

"There have been no corrective programs urged upon the bank or agreed to, which have not been fully consummated and in connection with which the Board would suggest incorporation of conditions for continuing its status as an insured bank."

Approved unanimously.

Letter to the Presidents of all Federal Reserve Banks reading as follows:

"The Regulation W enforcement Report, form F. R. 639, referred to in the Board's letter S-1041, dated September 22, 1948, has now been revised for use by the Federal Reserve Banks as a monthly report of enforcement activities under the present regulation. One hundred copies are being sent to you under separate cover and an additional supply will be sent upon request.

"Changes in the form have been minor, reflecting primarily changes in the classes of Registrants subject to the regulation. The Banks were in general agreement (in response to the Board's letter of September 3, 1948) that no major revision of the previous report was needed. As in the previous report, explanations of the headings and instructions with respect to additional information to be submitted with the report are printed on the back of the form. The 'No. of Registrants' in column 4 is to include only those who are currently registered under the present regulation.

"Two items have been added to the four items of 'additional information' requested to be submitted in
the former report. Item 5, the number of concerns that had failed to register, had previously been requested in the Board’s letter of May 28, 1947, which transmitted summaries of the reports for April, 1947. This item is to be reported beginning with November, 1948, in view of the November 19 deadline on registration. The Board hopes that Item 6 — a short description of ‘Class B’ violator cases — will be helpful in making information available to all Banks about the particular violating practices found to be a problem by individual Banks.

In view of the emphasis to be placed on finance company investigations, as suggested in the Board’s letter S-1041, the Board will be especially interested in receiving also comments and data from the Banks indicating how effective sales finance company investigations are in providing leads for selective investigations of vendors. It has been suggested that useful statistical data for the purpose would be provided by the number of investigations of each class of vendor Registrant scheduled as a result of sales finance company investigations made during the month. The Board would appreciate having your views as to the desirability of making such data a regular part of the ‘additional information’ to be reported beginning with the report for November.

In reporting Item 3 under ‘additional information’, which deals with cooperating agency relations, it would be helpful if your first monthly report included an outline of the working arrangements that you have established with each of these agencies for enforcement in your district. In this connection please specify any classes of Registrants normally examined by other supervising agencies which you plan to investigate in the present enforcement program.

It is suggested that, after the initial report, the enforcement report be sent to the Board by the tenth of each month, beginning with the report for November. The initial report should cover the period from September 20 to October 31 and be submitted as soon as is practicable. A single copy of each report will be sufficient for the Board’s purposes. The reports will be summarized as soon as they are received in the Board’s offices and copies of the summaries will be forwarded to each Federal Reserve Bank. Since the reports will include details that may be helpful to other Banks in their enforcement programs but which cannot be readily summarized, it is suggested that each Federal Reserve Bank send a copy of its monthly report to all of the other Banks as well as to the Board.
"This letter supersedes the Board's letter of August 27, 1946 (S-930) which referred to monthly enforcement reports under the previous regulation."

Approved unanimously.

Letter to the Presidents of all Federal Reserve Banks reading as follows:

"An inquiry has been received by the Board which raises a question as to the applicability of Regulation W to certain transactions for the sale of refrigerators, in various quantities, to owners of apartment houses.

"In substance, it appears that it is a common practice to use a conditional sales contract as the financing medium for such a transaction. Among other things, such a contract provides for deferred deliveries according to the buyer's request, sometimes over a fairly extended period of time, and permits price changes by the seller for refrigerators yet to be requested and cancellation of the contract by either party. The seller anticipates the requirements of such a conditional sales contract by placing orders with his suppliers, so that deliveries to the apartment house owner are ordinarily made promptly.

"It appears further that a substantial number of such conditional sales contracts, pursuant to which deliveries of some refrigerators are yet to be requested or made, were entered into in good faith in various parts of the country prior to September 20, 1948. Hence, the question arises as to whether such contracts are subject to the Regulation, especially in the light of S-1043, concerning pre-September 20 arrangements.

"While the circumstances of each particular transaction of the type in question necessarily are determinative, the transactions, as generally described in the inquiry, would appear to involve arrangements for future extensions of credit depending for final consummation on whether refrigerators are requested and delivered. Such being the case, the transactions are to be considered as divisible and treated accordingly under the Regulation, deliveries prior to September 20 involving extensions of credit before that date, and subsequent deliveries involving extensions of credit after that date and, therefore, subject to the Regulation. Of course, where delivery following a given request by an apartment house
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"owner is the only detail of an extension of credit remaining to be completed after September 20, and the delayed delivery involves a situation such as that covered in the third paragraph of the Board's press statement of September 29, 1948 (S-1043-c), the extension of credit resulting from that particular request for refrigerators would not be subject to the Regulation.

"The basic question raised by the inquiry is the time at which certain extensions of credit occur. The recent intervention of the new Regulation operates to cover only deliveries and the resulting extensions of credit on or after September 20, as above indicated, unless after completion of all anticipated or previously requested deliveries, the instalment credit arising therefrom, if in an amount of $5,000 or less, becomes subject to the Regulation through a renewal or revision after that date."

Approved unanimously.

Telegram to Mr. Smith, Assistant Vice President of the Federal Reserve Bank of Cleveland, reading as follows:

"Our telegram of November 4, 1948, to all Reserve Banks regarding registration under Regulation W of Rexair (Martin-Parry) was replied to by St. Louis Reserve Bank telegram of same date which reads as follows: Quote Reserve today concerning issuance of certificates to Rexair Dealers. Received request today for 100 registration statements to be distributed to dealers who sell Airway suction cleaners on terms which I understand are identical to the terms on which Rexair dealers sell cleaners. We understand the 50 local dealers of Airway Branches, Inc. sell machines as individual dealers and instalment paper taken from purchasers runs to dealer salesmen and by such dealer salesmen is discounted with distributor of Airway Branches, Inc. It seems to us that the status of Airway dealer salesmen is identical to the status of Rexair dealer salesmen and if it is you may want to work out with Home Office Airway Branches Inc., 2101 Auburn Avenue, Toledo 1, Ohio, arrangements similar to what you have worked out with Martin-Parry Corp successors. Could Airway outfit and Rexair (Martin Parry) be affiliated? Advise. Unquote.

"We would appreciate your investigating Airway situation with view to establishing with Airway same arrangements regarding a single registration as were accomplished
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"In the case of Rexair if the two situations are sufficiently identical. In this regard, refer to letter of October 18, 1948, to Wilbur Blair from Hutchens, Counsel for Martin-Parry, and negotiations between Blair, Paul Hodge and Hutchens. We have suggested that St. Louis Bank delay registration of Airway dealer-salesmen. Please advise of progress."

Approved unanimously.

[Signature]

Secretary.

Approved:

[Signature]

Chairman.