

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, November 10, 1948.

PRESENT: Mr. McCabe, Chairman
 Mr. Szymczak
 Mr. Draper
 Mr. Evans
 Mr. Vardaman
 Mr. Clayton

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

Minutes of actions taken by the Board of Governors of the Federal Reserve System on November 9, 1948, were approved unanimously.

Memorandum dated November 8, 1948, from Mr. Thomas, Director of the Division of Research and Statistics, recommending that the resignation of Miss Mary M. Vicars, a clerk-stenographer in that Division, be accepted to be effective, in accordance with her request, at the close of business November 18, 1948, with the understanding that a lump sum payment would be made for annual leave remaining to her credit as of that date.

Approved unanimously.

Memorandum dated November 5, 1948, from the Division of Personnel Administration, stating that Willis H. Mitchell, Supervisor of the Call Report Section in the Division of Bank Operations, would reach retirement age of 65 on December 11, 1948, and that he would retire on March 1, 1949, which is within the 90-day period provided under Section 3(1)(a) of the Rules and Regulations

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of the Retirement System of the Federal Reserve Banks.

Noted.

Letter to Mr. Sproul, President of the Federal Reserve Bank of New York, prepared in accordance with the action taken at the meeting of the Board on October 1, 1948, reading as follows:

"This refers to the Board's letter of March 29, 1948 and other correspondence concerning the applicability of section 32 of the Banking Act of 1933, as amended, to the service of Mr. Ralph Dubin as a director of The Merchants Bank of New York, New York, and as an employee of the firm of Hirsch & Co., New York, New York.

"On September 30, 1948 Mr. Arnold Markel, President of The Merchants Bank, conferred with representatives of the Board and presented additional information concerning this matter. The Board has carefully considered this additional information and in the light of all information before it regarding this matter is of the opinion that the firm of Hirsch & Co. is primarily engaged in the types of business described in section 32.

"It will be appreciated if you will advise Mr. Markel and Mr. Dubin of the Board's decision in this matter and suggest to Mr. Dubin that he take such steps as may be necessary to bring his interlocking relationship into conformity with the statute not later than January 15, 1949."

Approved unanimously.

Letter to the Fair Employment Board, United States Civil Service Commission, reading as follows:

"This will acknowledge your letter of October 21, 1948, requesting information regarding the person designated as Fair Employment Officer in connection with the administration within the agency of the fair employment policies stated in Executive Order 9980.

"For the past several years, the Personnel Officer has had the operating responsibility for carrying

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"out the Board's fair employment policies and will continue to serve in this capacity.

"The official address of the Personnel Officer of the Board's staff is listed below:

Mr. Herbert A. Johnson,
Personnel Officer,
Board of Governors of the
Federal Reserve System,
Washington 25, D. C.
REpublic 1100, Extension 434."

Approved unanimously.

Letter to Mr. Leedy, President of the Federal Reserve Bank of Kansas City, reading as follows:

"This refers further to your letters of October 12 and October 29, 1948, regarding a proposal to amend Regulation A in order to make the negotiability requirement of the Regulation inapplicable to notes evidencing loans to producers where such loans are subject to a commitment to purchase by Commodity Credit Corporation under its price support program.

"The Board has given careful consideration to this proposal and, as you know, has requested the views of the Federal Reserve Banks as to the desirability of the suggested amendment to the Regulation.

"One of the Federal Reserve Banks has indicated that it favors the proposed amendment, but feels that, in order to be of value to member banks in its District, further changes would be necessary to make the certificates of interest in pools of producers' notes issued under CCC's cotton loan program eligible for discount under the Federal Reserve Act.

"All of the other Federal Reserve Banks have either expressed their disapproval of the proposal or, while stating that they would not object, have indicated an unfavorable reaction. Several of the Reserve Banks have questioned the need for such an amendment at this time and have expressed the view that member banks should rely upon Commodity Credit Corporation's commitment to purchase the paper in question or, if necessary, should offer the paper as security for advances from the Federal Reserve Banks under section 10(b) of the Federal Reserve Act. Some have indicated their disapproval of

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"any exceptions to the negotiability requirement of Regulation A; others feel that the proposed amendment might encourage member banks to hold unduly large amounts of this type of paper. It has also been suggested that it would be inconsistent with the general discounting policies of the Reserve Banks to accept for discount or as collateral for advances notes endorsed by a member bank 'without recourse' as are the notes of producers evidencing loans made by banks under Commodity Credit Corporation's program.

"In the light of the views expressed by most of the Reserve Banks, the Board feels that, as a matter of general policy, the suggested amendment to Regulation A is probably unnecessary and perhaps undesirable at this time. We shall, of course, be glad to consider the matter further if your bank or any other Reserve Bank should feel that the situation at any time is such as to warrant further consideration."

Approved unanimously.

Letter to Mr. Johns, Vice President and General Counsel of the Federal Reserve Bank of Kansas City, reading as follows:

"This refers to your letter of October 23, 1948, enclosing a copy of a letter to your Bank from Western Auto Supply Company, Kansas City, Missouri, dated October 21, 1948, relating to the application of Regulation W to a plan proposed by the Company concerning the rental and sale of electric ironers.

"The above correspondence indicates that, in order to increase the sale of electric ironers, the Company proposes to rent and deliver to interested persons for use in their homes, electric ironers for one month at a charge of \$5 under a written rental agreement which contains no obligation or option for the purchase of the ironer. However, before the expiration of the 30-day period, either there would be a sale of an ironer, or the ironer that was delivered would be returned to, and reconditioned by, the Company for sale elsewhere. In the event of a completed sale, the lessee-purchaser could either retain the ironer previously delivered to him or receive a new ironer. If the former should occur, the regular retail purchase price would be reduced by \$5; but if the latter should occur, no such reduction in price would be made. The reduced purchase

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"price or the regular purchase price, as the case may be, would be treated as the selling price subject to the down payment, maturity and monthly payment provisions of the Regulation.

"The absence from the written rental agreement of an obligation or option to buy would not be deemed to be of controlling significance in circumstances such as these. Viewed in their entirety, the transactions in question look toward the completion of a sale and, at the outset, should comply with the Regulation either as an ordinary extension of instalment credit or as a delivery in anticipation of an instalment sale under section 6(g) of the Regulation.

"As you know, Amendment No. 1 to the Regulation amended section 6(g) thereof to provide that, if certain specified conditions are followed, the seller may allow a trial period of not more than 10 days without prepayment necessary in an instalment sale. In view of the Company's apparent satisfaction with the amendment to section 6(g), we hope that they may be able to adjust their proposed plan so as to qualify for the benefits of the amendment."

Approved unanimously.

Letter to Mr. Arthur M. Hill, Chairman, National Security Resources Board, Washington, D. C., reading as follows:

"In compliance with your request of October 29, Chairman McCabe has designated Mr. Frank R. Garfield as staff representative of the Board to assist in the formulation and review of certain assumptions in the domestic and foreign economic fields for use in mobilization planning by members of the staff of your Board. Mr. Garfield is Chief of the Business Conditions Section of the Board's Division of Research and Statistics. Chairman McCabe would also like to designate as alternate to Mr. Garfield Mr. Kenneth Williams, who is Chief of the National Income and Labor Section of the Board's Division of Research and Statistics. Both Mr. Garfield and Mr. Williams are engaged in activities which would have a bearing upon the problem with which your staff is concerned."

Approved unanimously.

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Memorandum dated November 8, 1948, from Mr. Riefler, Assistant to the Chairman, recommending, for the reasons stated in the memorandum, that the voucher attached to the memorandum covering travel expenses in connection with a trip to Hot Springs, Virginia, for a meeting of the Business Advisory Council be approved in the amount submitted.

Approved unanimously.

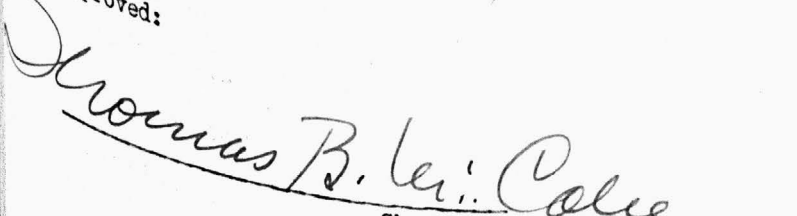
Memorandum dated November 8, 1948, from Mr. Smead, Director of the Division of Bank Operations, recommending, for the reasons stated in the memorandum, that the following items in the 1948 non-personal budget for that Division be increased by the amounts indicated:

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| Printing and Binding | \$2,900 |
| Furniture and Equipment | 500 |
| Books and Subscriptions | 25 |
| Repairs and Maintenance (Furniture and Equipment) | 75 |

Approved unanimously.


Secretary.

Approved:


Chairman.