

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, November 22, 1948.

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

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 19, 1948, were approved unanimously.

Letter prepared in accordance with the action at the meeting of the Board on November 17, 1948, to Dr. E. A. Goldenweiser, Institute of Advanced Study, Princeton University, Princeton, New Jersey, reading as follows:

"There has recently been some discussion of the proposal you have been working on with respect to a ceiling plan for member bank reserve requirements and the suggestion was made that it would be helpful to those at the Board if they could have an opportunity to discuss it with you. You would come down under the arrangement which the Board of Governors has with you as a Consultant. In that connection, Friday, December 17, 1948, at 10:30 a.m. has been suggested as a time that would suit the convenience of everyone here.

"It will be appreciated if you will let me know whether you will be able to attend that meeting and give the Board an outline of the plan you have in mind and an opportunity to discuss it with you."

Approved unanimously.

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Letter prepared for Chairman McCabe's signature to the Honorable Paul G. Hoffman, Administrator, Economic Cooperation Administration, reading as follows:

"Reference is made to your letter of November 10, asking that we designate a senior representative of the Board with whom Mr. Tyler Wood can deal in formulating plans for the organization and development of the legislative proposals for the 1949-50 European Recovery Program.

"The representative of the Board of Governors in this work will be Mr. Frank A. Southard, Jr., Associate Director of the Division of Research and Statistics.

"This will also acknowledge receipt of your letter of November 16 enclosing the preliminary outline of the document you will use in presenting to Congress the case for your second year's appropriation. Mr. Southard is already in touch with Mr. Wood with respect to this document."

Approved unanimously.

Letter to the Federal Deposit Insurance Corporation reading as follows:

"Pursuant to the provisions of section 12B of the Federal Reserve Act, as amended, the Board of Governors of the Federal Reserve System hereby certifies that The First State Bank, Abilene, Texas, became a member of the Federal Reserve System on November 18, 1948, and is now a member of the System. The Board of Governors of the Federal Reserve System further hereby certifies that, in connection with the admission of such bank to membership in the Federal Reserve System, consideration was given to the following factors enumerated in subsection (g) of section 12B of the Federal Reserve Act:

1. The financial history and condition of the bank,
2. The adequacy of its capital structure,
3. Its future earnings prospects,
4. The general character of its management,
5. The convenience and needs of the community to be served by the bank, and

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- "6. Whether or not its corporate powers are consistent with the purposes of section 12B of the Federal Reserve Act."

Approved unanimously.

Letter to Mr. Clark, Manager, Consumer Instalment Credit Department, Federal Reserve Bank of St. Louis, reading as follows:

"This is in reply to your letter of November 9, 1948, with which you enclosed a copy of a letter from the Boatmen's National Bank of St. Louis, concerning Regulation W. The Registrant requested a ruling as to whether a sink incorporating a dishwasher which is an integral part of the sink and cannot be detached is a listed article.

"We concur in the view expressed in your letter that the article is a combination unit as listed under Group B of Part 1 of the Supplement to Regulation W. As such the applicable provisions of Regulation W apply."

Approved unanimously.

Letter to Mr. Clark, Manager, Consumer Instalment Credit Department, Federal Reserve Bank of St. Louis, reading as follows:

"This will acknowledge your letter of November 16 concerning a routine check at one of the St. Louis branches of the Metropolitan Life Insurance Company, in connection with Regulation W.

"You mentioned that although the loan agreement used by the insurance company in connection with its policy loans ordinarily contains no information as to the manner of repayment, there is in many cases a verbal agreement between the company and the borrower to the effect that the loan is to be repaid in instalments and that instalment collections will be made by the company's collectors at the homes of the borrowers. Your question involved the applicability of Regulation W to such policy loans.

"It is the Board's view that a policy loan made by a life insurance company, which the policyholder agrees to repay in instalments, is an instalment loan within the meaning of section 8(h)(6)."

Approved unanimously.

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Letter to Mr. Clark, Manager, Consumer Instalment Credit Department, Federal Reserve Bank of St. Louis, reading as follows:

"This refers to your letter of November 9, 1948, concerning the necessity for registration under Regulation W of the Rebsamen Foundation, located at the same address in Little Rock, Arkansas, as the Manhattan Credit Company and Rebsamen Motors. You related that while the Credit and Motor companies have registered under the regulation, the manager of the Foundation is unfriendly toward the regulation and opposed to the registration of the Foundation on the ground that it is not 'engaged in the business' of extending instalment credit. The Foundation, apparently, makes only noninterest-bearing loans to employees of the other two companies, and the loans examined during your recent investigation of the Foundation were of the kinds exempt under section 7 of the regulation.

"From your letter it is not clear what other activities the Foundation may have or what its relationship may be with the Credit and Motor companies. These matters may be important. By now, however, you will have received S-1063 of November 9, 1948, expressing further views on the general subject covered in S-1056 of October 27, 1948, to which you referred. These letters in combination, we believe, establish reasonably definite guides for most cases of the nature in question, and perhaps the doubt you previously felt concerning S-1056 has now been removed.

"In a case such as this, practical as well as legal considerations must be weighed in the light of all the facts and attendant circumstances. In view, particularly, of the apparent character of its loans, we can understand why you might not wish to press for the registration of the Foundation at this time. On the other hand, should you learn or determine that the Foundation is making credit available in a manner or on terms inconsistent with the regulation, the case for insisting upon registration might then be much stronger and call for action to that end.

"We hope that the views expressed herein will be of assistance to you in this matter."

Approved unanimously.

Letter to Mr. H. E. Dill, Executive Vice-President, Retail Furniture Association of Texas, Inc., Lacy Building, Dallas 1, Texas, reading as follows:

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"This will acknowledge and thank you for your letter of November 3 concerning Regulation W and your supplemental letter of November 16. Your comments about the scope of the regulation are interesting indeed.

"As you know, the regulation as issued September 20, 1948, applies to the same list of articles as was covered in the regulation which expired on November 1, 1947. We can appreciate the concern of your Association's members when the instalment credit most of them extend is subject to the regulation while similar credit extended by other classes of merchants is not so regulated and is widely advertised. The articles now covered by the regulation do embrace the principal segments of instalment sale credit, excluding home modernization and repair credit which was not subject to the expired regulation. The question of enlarging the scope of the regulation to cover home modernization and repair credit is now under study.

"The interest your organization displays is appreciated and, as the Federal Reserve Bank of Dallas has already written you, the officials there will be glad to discuss this and other phases of Regulation W with you at any time. You may be sure that your views will be given careful consideration in our continuing study of the regulation, its scope and effect."

Approved unanimously.

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

"Your wire November 18. Board approves proposal for your bank to arrange revolving credit for the Bank for International Settlements and to grant thereunder a loan or loans on the following terms and conditions:

(a) The amount to be advanced not to exceed \$5,000,000 in the aggregate at any one time outstanding; such loan or loans to be made up to 98 percent of the value of gold held in your vaults as collateral;

(b) Each such loan to run for a maximum period of 30 days;

(c) Any such loan to be requested and made on or before May 31, 1949;

(d) Each such loan to bear interest from the date it is made until paid, at the discount rate of your Bank in effect on the date on which such loan is made.

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"It is understood that the usual participation will be offered the other Federal Reserve Banks."

Approved unanimously.

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

"Your wire November 18. Board approves three month renewal by your Bank of the \$7,500,000 balance of the outstanding gold loan to Banque Nationale De La Republique Federative Populaire De Yougoslavie on the same terms and conditions as now apply, except that the amount to be advanced is not to exceed \$7,500,000.

"It is understood that the usual participation will be offered the other Federal Reserve Banks.

"The Board notes that your Bank expects to repeat your earlier understanding that by granting such loans you would not be facilitating sales of gold at premium prices."

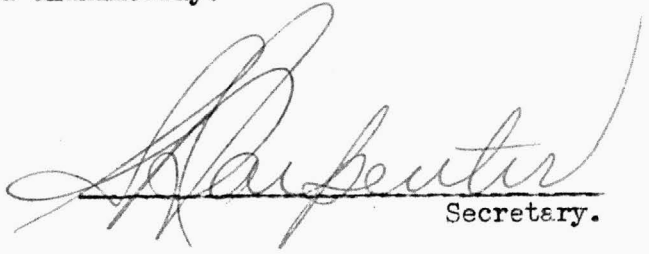
Approved unanimously.

Memorandum dated November 17, 1948, from Mr. Bethea, Director of the Division of Administrative Services, recommending that the temporary Honor Roll listing the names of employees who served in the Armed Forces during World War II be replaced by a bronze memorial plaque containing the names of 99 employees set forth in a list prepared by the Division of Personnel Administration, the plaque to cost approximately \$400, and that the appropriate item in the 1948 non-personal budget of that Division be increased to cover the actual expense involved. The memorandum also recommended that the American flag and service flag now on display from the balcony on the second floor be removed and stored.

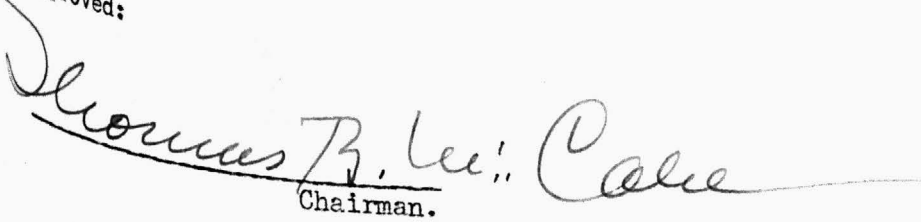
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Approved unanimously.


Secretary.

Approved:


Chairman.