

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, January 11, 1949. The Board met in the Board Room at 10:35 a.m.

PRESENT: Mr. McCabe, Chairman  
 Mr. Eccles  
 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  
 Mr. Riefler, Assistant to the Chairman  
 Mr. Thomas, Director of the Division of  
 Research and Statistics  
 Mr. Vest, General Counsel  
 Mr. Townsend, Solicitor

Chairman McCabe stated that on Friday afternoon, January 7, there was received from the Bureau of the Budget a request for a report on a draft of bill "To Establish a Comprehensive and Coordinated Stabilization Policy and for Other Purposes", that a reply was prepared for his signature on Saturday, January 8, based on actions already taken by the Board, and that, in view of the urgency of the request, the reply was sent to the Budget Bureau on that day. The reply, a copy of which was sent to each member of the Board yesterday, read as follows:

"This refers to your letter of January 7, 1949, in which you request an expression of views regarding the draft of bill, enclosed with your letter, 'To establish a comprehensive and coordinated stabilization

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"program, and for other purposes'. The bill, which is entitled 'Stabilization Act of 1949', contains eight proposed titles, the last of which relates to consumer credit and bank reserves.

"In its letter to the Director of the Bureau of the Budget dated November 30, 1948, the Board stated that the subject of bank reserves was being given thorough consideration with a view to the formulation of a recommendation at a later date when economic trends could be evaluated more accurately. The Board also stated that it expected to propose that the authority over consumer instalment credit be extended or made permanent by appropriate legislation formulated in the light of experience under the existing legislation with a view to the introduction of a bill during the early part of the next session of Congress. Since writing that letter, the Board has given considerable thought to the problem of the most appropriate time at which legislation on these subjects might be introduced and has come to the conclusion that it is desirable that such legislation should be introduced, not as a part of a comprehensive bill, but later as separate legislation.

"In conformity with the principle of decentralization on which the Federal Reserve System was established, it is the policy of the Board to obtain the views of the twelve Federal Reserve Banks on important proposals affecting the System. In pursuance of this policy, the Board has submitted to the Presidents of the Federal Reserve Banks tentative drafts of bills on bank reserves and consumer credit which its staff has prepared in the light of the study given these subjects and in accordance with the President's Economic Report. The Board has not yet received the comments of the Reserve Banks.

"In the Board's judgment, there is not the same urgency for the presentation to Congress of bills with respect to bank reserves and consumer credit as exists with respect to the other titles of the proposed Stabilization Act of 1949. The Board now has authority to increase reserve requirements of member banks and to regulate consumer credit. This authority, which was enacted August 16, 1948, will not expire until June 30, 1949.

"In view of these circumstances, we believe it is important from the standpoint of obtaining favorable

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"Congressional action to have as much experience under existing authority as possible before determining finally upon the specific details of legislation to carry into effect the recommendations in the President's Economic Report on these subjects. This would be in accord with the understanding which was had at a recent meeting of the committee of which Mr. Nourse is chairman.

"I have no comments to offer at this time with respect to other titles of the proposed Stabilization Act of 1949. I appreciate the opportunity which you have afforded me to comment on the proposed bill and also the opportunity for members of our staff to participate in the discussions which have been held at the offices of the Council of Economic Advisers with regard to the proposed legislation. When our drafts of bills regarding bank reserves and consumer credit have been completed, we will, of course, transmit them to the Budget Bureau."

All of the members of the Board indicated the letter was satisfactory to them and that they were willing to approve it.

Chairman McCabe also said that yesterday he sent a copy of the letter to Dr. Nourse, Chairman of the committee coordinating material for the President's legislative program, and that Dr. Nourse, in a telephone conversation, confirmed the understanding at a meeting of the Nourse committee that legislation on consumer credit and reserve requirements would be excluded from any omnibus bill. Dr. Nourse also stated, Chairman McCabe said, that his office had received a call from Mr. Murphy at the White House on Friday, January 7, asking that all of the legislation for the President's program be included in the bill, but that he (Dr. Nourse) would discuss the matter with Secretary of Agriculture

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Brannan, who was coordinating the bills and testimony on the legislative program for the President, and remind him of the agreement regarding the exclusion of the Board's proposals from an omnibus bill. Chairman McCabe added that Dr. Nourse was in complete agreement with the manner in which the legislation on reserve requirements and consumer credit was being handled by the Board and had agreed to call back after his conversation with Secretary Brannan. Chairman McCabe stated that, in view of the agreement of the Nourse committee, he also informed Secretary Snyder of these developments and sent him a copy of the letter of January 8.

Question was raised as to what the position of the Board would be in the event of a request that the omnibus bill include legislative proposals with respect to consumer credit controls and reserve requirements, and it was agreed that in such case a meeting of the Board should be called to consider the matter further.

Chairman McCabe made the further statement that the Chairmen of the Banking and Currency Committees were coming to luncheon on different days this week, when it was hoped the question of legislation on these two matters could be discussed with them. He also said that last week he had a conference with Mr. Woollen, President of the American Bankers Association, and that while Mr. Woollen

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indicated that he would oppose the legislation proposed by the Board, the conference was a very friendly one.

There ensued a discussion of the timing of the introduction of the legislation on reserve requirements and consumer credit, but no decisions were reached.

Mr. Evans stated that yesterday Mr. William F. Kelley, Chairman of the Consumer Credit Committee of the American Bankers Association, and Mr. Walter B. French, Deputy Manager of the American Bankers Association, called to discuss the terms of Regulation W, Consumer Instalment Credit, particularly with respect to the possibility of lengthening the maturities permitted under the present regulation. Mr. Evans said that both Mr. Kelley and Mr. French felt if any action were to be taken to extend the terms it would be better to eliminate the maturity requirements entirely rather than to extend them, since many Registrants would be inclined and able to retain maturities of 18 months or thereabouts if no maximum were specified, whereas if 24 months were specified as a maximum that would tend to become the minimum. He also referred to other conversations which indicated that, except in certain quarters, the pressure for relaxing the Regulation was not strong.

Mr. Evans then referred to the informal letter he had written to General Motors Corporation, Chrysler Corporation, and Ford Motor Company under date of December 31, 1948, to which he

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referred at the meeting on January 7, and stated that a reply was received from B. E. Hutchinson, Chairman of the Finance Committee of Chrysler Corporation, dated January 5, 1949, in which he reiterated his opposition to instalment credit controls but did not suggest any changes in Regulation W at this time. The letter is being circulated among the members of the Board. He made the further statement that he received a telephone call yesterday from Mr. Albert Bradley, Vice President of General Motors Corporation, in response to the letter to that company and that Mr. Bradley and possible other representatives were coming to the Board's offices to discuss the matter at 9:30 a.m. on Thursday, January 13, 1949. No response, he said, had been received to the letter to the Ford Motor Company.

During the discussion Messrs. Leonard, Director of the Division of Bank Operations, and Young, Associate Director of the Division of Research and Statistics, entered the meeting.

There was a general discussion of the present economic situation and the relationship of Regulation W to that situation and also of the conditions under which action might be taken by the Board to relax the regulation. Mr. Evans stated that the staff would continue to study the problem and would be prepared to make a recommendation for the consideration of the Board at any time.

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At this point Messrs. Riefler, Thomas, Vest, Leonard, Townsend, and Young withdrew and the action stated with respect to each of the matters hereinafter referred to was taken by the Board:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on January 10, 1949, were approved unani-  
mously.

Memorandum dated January 10, 1949, from Mr. Bethea, Director of the Division of Administrative Services, recommending an increase in the basic salary of Stanley J. Bloch, Assistant Supervisor, Duplicating and Mail Section in that Division, from \$3,978 to \$4,103.40 per annum, effective January 23, 1949.

Approved unanimously.

Letter to Mr. Caldwell, Federal Reserve Agent at the Federal Reserve Bank of Kansas City, reading as follows:

"In accordance with the request contained in Mr. Johns' letter of January 4, 1949, the Board of Governors approves, effective January 1, 1949, the payment of salaries to the following members of the Federal Reserve Agent's staff at the rates indicated:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
	<u>Head Office</u>	
Maurice Allendoerfer	Assistant Federal Reserve Agent	\$4,236
Kenneth B. Self	Alternate Assistant Federal Reserve Agent	5,220
	<u>Denver Branch</u>	
H. B. Fisher	Federal Reserve Agent's Representative	4,320

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<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
	<u>Oklahoma City Branch</u>	
David E. Chase	Federal Reserve Agent's Representative	\$4,500
Lee G. Cox	Federal Reserve Agent's Representative	4,500
	<u>Omaha Branch</u>	
Earl O. Streeter	Federal Reserve Agent's Representative	4,320

"It is noted from Mr. Johns' letter that the Board of Governors will be advised when the branch boards have taken final official action with respect to the salaries tentatively fixed for Messrs. Fisher, Cox, and Streeter."

Approved unanimously.

Telegram to Mr. DeMoss, Vice President of the Federal Reserve Bank of Dallas, reading as follows:

"Reference your letter January 6. Board approves appointment of Nathaniel Buckley Harwell as examiner for Federal Reserve Bank of Dallas. Please advise effective date."

Approved unanimously.

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

"Replies to the letter dated December 29, 1948, from the Board's Division of Examinations to the officers in charge of examinations at the various Reserve Banks indicate that the dates proposed for holding a conference of representatives of the Bank Examination Departments of the Reserve Banks in Washington, during the week preceding the 1949 Mid-Winter Trust Conference of the American Bankers Association, would be satisfactory. Accordingly, the Examiners' Conference will be held in the Board's offices in Washington on Wednesday, Thursday, and Friday, February 2-4, 1949.



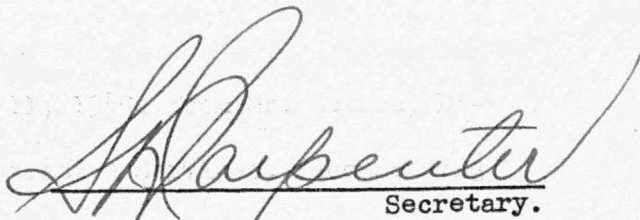
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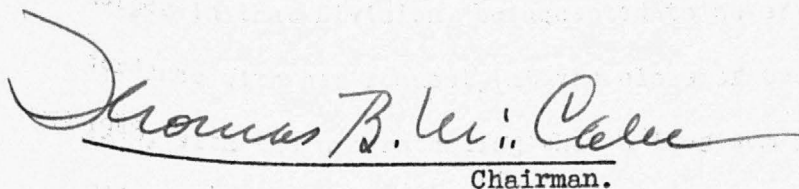
"It has been suggested that, in addition to discussing bank supervisory matters, the conference give consideration to bank examination problems as well. With this thought in mind, it is hoped that the Chief Examiners for all of the Reserve Banks, as well as the officers in charge of examinations, will be present and participate in the discussions. It will be appreciated if you will advise us as to the names of the representatives of your Bank who will attend the conference and whether you desire us to make hotel reservations.

"The Reserve Banks have been requested to forward suggestions for the agenda and a copy of the agenda will be sent to you when it has been prepared."

Approved unanimously.

  
Secretary.

Approved:

  
Chairman.