

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, October 26, 1950.

PRESENT: Mr. McCabe, Chairman
Mr. Szymczak
Mr. Evans
Mr. Vardaman
Mr. Norton
Mr. Powell

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Kenyon, Assistant Secretary

Minutes of actions taken by the Board of Governors of the Federal Reserve System on October 25, 1950, were approved unanimously.

Memorandum dated October 24, 1950, from Mr. Boothe, Assistant Director of the Division of Administrative Services, recommending the appointment of James E. Love as a laborer in that Division, on a temporary indefinite basis, with basic salary at the rate of \$2,120 per annum, effective as of the date upon which he enters upon the performance of his duties after having passed the usual physical examination.

Approved unanimously.

Memorandum dated October 26, 1950, from Mr. Carpenter, Secretary of the Board, recommending an increase in the basic salary of Miss Doreen M. Dippre, secretary to Mr. Kenyon, from \$3,225 to \$3,475 per annum, effective October 29, 1950.

Approved unanimously.

Memorandum dated October 23, 1950, from Mr. Boothe, Assistant Director of the Division of Administrative Services, recommending that

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Mrs. Jeanette Brown, a clerk-stenographer in the Division of International Finance, be transferred to the Division of Administrative Services as a stenographer, and that her salary be increased from \$2,650 to \$2,875 per annum, effective October 29, 1950.

Approved unanimously.

Memorandum dated October 25, 1950, from Mr. Marget, Director of the Division of International Finance, recommending an increase in the basic salary of Miss Dorothy Grifasi, a clerk-stenographer in that Division, from \$2,650 to \$2,875 per annum, effective October 29, 1950.

Approved unanimously.

Letter for the signature of the Chairman to Mr. Fred L. Haller, President, National Automobile Dealers Association, 1026 17th Street, N. W., Washington 6, D. C., reading as follows:

"In reply to your telegram of October 14 and your letter of October 17 let me say at once that I greatly regret that my previous appointments made it impossible for me to meet with you on October 16. I am sure you will understand. I am very glad that Governor Evans was able to meet with you on behalf of the Board at that time.

"It is a source of real satisfaction to me, personally, and I am sure to all of the members of the Board, to have the cooperative relationship with your Association that you mention in your letter, and I sincerely hope that it will be in no way marred because of policy actions which the Board feels compelled to take in the light of its particular responsibilities. I appreciate your problems just as I think you do ours. I assure you that the Board has great regard for the views of your Association and its representatives and always endeavors to give them the fullest consideration. We will be very glad to consider any facts that you may care to give us to supplement what you have previously furnished.

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"While I will not undertake in the necessarily brief compass of a letter to go over again the compelling reasons which led the Board to its recent decision with respect to Regulation W, I do want to emphasize that the Board undertook to take into account very carefully and painstakingly every conceivable relevant aspect of this difficult and unpleasant task with respect to the Regulation. As you know, we have had the benefit of numerous consultations with representatives of various industries, including representatives of your Association. The continuing information we received from the Federal Reserve Banks and other sources in all parts of the country forced us to the conclusion that we could not, in the public interest, postpone the amendment tightening the terms.

"I want to reiterate for myself and all of my associates that we greatly value the cooperation which has existed and I am sure will continue to exist with you and your Association in endeavoring to carry out Governmental policies, the objectives of which are as earnestly desired by you as they are by us."

Approved unanimously.

Letter to Mr. W. F. Gaunitz, President, Associates Investment Company, South Bend, Indiana, reading as follows:

"Thank you for your letter of October 17 concerning Regulation W. The data you submit are interesting indeed and we are glad to have them.

"It is likely, we think, that the present limitations in the regulation will dampen consumer demand for instalment credit. That, after all, is one of the principal purposes of the regulation and if this measure, together with the other credit restriction actions taken recently by the Board, succeeds in stopping the present inflationary spiral, consumers and business including the automobile industry will benefit. When inflation gets out of hand it is particularly the low income consumer and the small businessman who are likely to be hurt most by the resulting high prices.

"The scope of Regulation W and the limitations of terms are under continuous study and the regulation probably will be changed from time to time in both of

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"these respects as conditions seem to the Board to warrant. You may be interested in the attached statement made by the Board on October 17 concerning its action in adopting Amendment No. 1 to Regulation W."

Approved unanimously.

Letter to Honorable Scott W. Lucas, United States Senate, Washington, D. C., reading as follows:

"Mr. Franklin D. Richards, Commissioner of the Federal Housing Administration, has referred to the Board of Governors a letter from Mr. H. A. Ackermann concerning Regulation X. We are glad of the opportunity to have Mr. Ackermann's views.

"As you know, Regulation X was authorized by Congress for the purpose of holding down inflationary pressures in the housing field by restricting the flow of funds into the mortgage market and to assure that materials and labor required for the defense program will be available when needed.

"The actual downpayment and other requirements of the Regulation were established after intensive study not only by experts within the Government but also by prominent businessmen with wide experience in the real estate field. Great pains were taken to make them as equitable as possible. Unfortunately, any regulation formed in the general interest falls more heavily on some individuals and on some areas than others. If it is to achieve its purpose, Regulation X must hold down inflationary pressures in housing, particularly in areas where inflation, for whatever reason, has already gone too far.

"I hope we have answered some of the questions which Mr. Ackermann has raised. If we can be of any further assistance, please do not hesitate to call upon us."

Approved unanimously.

Letter to Mr. Gilbert, President of the Federal Reserve Bank of Dallas, reading as follows:

"Reference is made to your letter of October 19, 1950,

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"in which you advised that it appears expenses for certain functions at your head office and branches will exceed the 1950 budget estimates as follows:

Function	Dallas	El Paso	Houston	San Antonio
General Overhead	\$11,980			
Furniture and equipment			\$5,171	
Consumer Credit	32,158	\$3,090	2,156	\$2,844
Currency and coin	42,519			
Federal Reserve Note Issues	62,195			
Fiscal Agency	57,196			

"The Board accepts the revised figures as submitted and appropriate notations are being made in the Board's records."

Approved unanimously.

Letter for the signature of the Chairman to the Presidents of all Federal Reserve Banks, reading as follows:

"Frequently in the past members of the staffs of the Federal Reserve Banks and their Branches have come to Washington on vacation or for other reasons not connected with the work of the Federal Reserve System. A number of them have given us the pleasure of a visit and we have shown them the building, they have seen members of the staff and a member of the Board when available, and if their program has permitted they have had luncheon here. From time to time however, we have learned that some have not called at our offices and the indication has been on one or two occasions that, perhaps, they have felt that they might be imposing on us by coming in for a visit when they had no official reason for coming.

"The Board and its staff would be more than pleased if you would emphasize with all of the folks at your head office and branches that whenever they are in Washington or its vicinity for any reason whatsoever, we would urge them to call. While they may have no 'official business' to transact their visit will enable them to become better acquainted with the Board's organization and how it operates which will be of

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"assistance to them in their work, and, on the other hand, the better we in Washington know the people at the Federal Reserve Banks, the more effective our work will be.

"It would be helpful in making the most of the opportunity of these visits if, whenever a member of the staff of your head office or a branch is coming to Washington, one of your officers would let us know by letter or wire about when the visit will be, how long the individual has been at the bank, and the departments of the bank in which he has worked. This will assure the necessary arrangements for the availability of as many as possible of the people they would be interested in seeing. Of course, if a member of your staff should make a hurried trip to Washington and it is not possible to give us advance notice, we would be happy if they would come in anyway, because there will always be someone available to welcome them and to show them the building and as much of 'our shop' as time will permit."

Approved unanimously.

Telegram to Honorable Homer D. Angell, 1217 Failing Building,
Portland, Oregon, reading as follows:

"Referring your wire October 19 regarding recent amendment to Regulation W we are air mailing to you a copy of letter which we wrote to Mr. Fred L. Haller, President, National Automobile Dealers Association, which was in response to letter from him, and which we believe will clarify the fact that the Board has always welcomed, and continues to welcome, the views of automobile dealers.

"We appreciate opportunity to supply this information and trust you will let us know if we can be of further assistance in that connection."

Approved unanimously.

Letter to The Honorable, The Comptroller of the Currency,
Treasury Department, Washington 25, D. C., reading as follows:

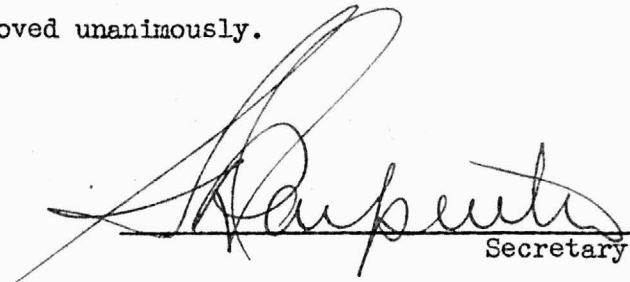
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"This refers to our letter of July 28, 1950, requesting that a supplemental order for printing 5,000,000 sheets of Federal Reserve notes of the 1934 series during the fiscal year ending June 30, 1951, be placed with the Bureau of Engraving and Printing. It is desired to allocate 20,000 sheets of this order to Federal Reserve notes of the Federal Reserve Bank of Chicago as specified below:

<u>Denomination</u>	<u>Number of Sheets</u>	<u>Amount</u>
\$50	20,000	\$12,000,000"

Approved unanimously.



Secretary.