

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, November 3, 1950.

PRESENT: Mr. Evans, Chairman pro tem.
Mr. Vardaman
Mr. Powell

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

Telegrams to the Federal Reserve Banks of Boston, New York, Philadelphia, Atlanta, Chicago, St. Louis, Kansas City, and San Francisco stating that the Board approves the establishment without change by the Federal Reserve Bank of San Francisco on October 31, by the Federal Reserve Banks of Atlanta and St. Louis on November 1, by the Federal Reserve Banks of New York, Philadelphia, and Chicago on November 2, 1950, and by the Federal Reserve Banks of Kansas City and Boston today, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Memorandum dated November 1, 1950, from Mr. Boothe, Assistant Director of the Division of Administrative Services, recommending that the Board's action which granted leave of absence beginning October 18, 1950, to Thomas V. Kopfman, clerk in that Division, for the purpose of reporting for active duty with the United States Marine Corps Reserves, be amended to read that Mr. Kopfman be placed on military leave as of November 2, 1950.

Approved unanimously.

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Letter to Mr. Leach, President of the Federal Reserve Bank of Richmond, reading as follows:

"Enclosed is a copy of a letter which we have received from Mr. Camille Gutt, Managing Director of the International Monetary Fund, in which he states that the Minister of Finance of the Republic of Paraguay has requested the Fund to make available to the Government of Paraguay two technicians to analyze the financial system of the country and assist in the preparation of the budget, and requests that the Federal Reserve System furnish a qualified person to act as chief of the mission. The Fund will undertake to provide an economist thoroughly versed in Paraguayan financial affairs who will act as assistant economist and translator.

"We understand that your Bank has agreed informally to make available Mr. J. Dewey Daane, an economist on the staff of the Research Department, for this purpose, and there is enclosed a proposed reply to the International Monetary Fund to that effect which will be dispatched to Mr. Gutt upon receipt of advice from you that the arrangements indicated are satisfactory.

"Your cooperation in enabling us to comply with this request from the International Monetary Fund is sincerely appreciated."

Approved unanimously.

Letter to The Poudre Valley National Bank of Fort Collins, Fort Collins, Colorado, reading as follows:

"The Board of Governors of the Federal Reserve System has given consideration to your supplemental application for fiduciary powers, and grants you authority to act, when not in contravention of State or local law, as committee of estates of lunatics. The exercise of this power, in addition to those heretofore granted to act as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver or in any other fiduciary capacity in which State banks, trust companies, or other corporations which come into

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"competition with national banks are permitted to act under the laws of the State of Colorado, shall be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

"This letter will be your authority to exercise the fiduciary powers granted by the Board pending the preparation of a formal certificate covering such authorization, which will be forwarded to you in due course."

Approved unanimously for
transmittal through the Federal
Reserve Bank of Kansas City.

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

"The Board has considered certain questions concerning instalment credits involving so-called 'balloon' notes or payments that were written or arranged before September 18, 1950, the effective date of Regulation W. In a typical case of the kind, there would be 11 notes followed by a 12th 'balloon' note which may be in an amount several times the amount of each of the preceding notes.

"The Board expressed the view that unless in the pre-September 18 contract between the parties there is a valid and enforceable provision for an extension of the 12th note for some specified period when it falls due after September 18, the extension may not now be carried out except on terms complying with the present requirements of Regulation W. The existence of valid and enforceable provisions for such extensions would seem to be extremely rare. In the usual case, there is no such valid and enforceable provision and the extension, except in certain specified instances, would be limited under the regulation to a maximum maturity of 15 months."

Approved unanimously.

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Telegram to Mr. Slade, Vice President of the Federal Reserve
Bank of San Francisco, reading as follows:

"Reurlet October 14, 1950, and enclosure and your wire October 30 concerning application Regulation W to financing of automobiles and trucks which are purchased from franchise dealers by Transportation Lease Company and which are then delivered to commercial users under lease with option to purchase.

"1. Board agrees that individual conditional sales contracts in principal amounts of \$5,000 or less covering automobiles sold by franchise dealers to Company constitute instalment sales subject to regulation. Fact that the conditional sales contracts are assigned to bank maintaining line of credit to Company in maximum amount exceeding \$5,000 is immaterial on facts presented.

"2. Deliveries of automobiles subsequent to September 18, 1950, by Company under lease with option to purchase constitute instalment sales subject to regulation. Board does not regard so-called 'master lease' as contract covering a given automobile until that automobile has been made subject to master lease. However, deliveries of automobiles prior to September 18 are exempt even though option is not exercised until after that date.

"3. Of course, motor vehicles other than automobiles as defined in Group A of Supplement to regulation are not listed articles. Therefore, foregoing applies only to such automobiles."

Approved unanimously.

Telegram to Mr. Slade, Vice President of the Federal Reserve
Bank of San Francisco, reading as follows:

"Reurtel October 30 regarding Willys-Overland 4X 473 station wagon and similar vehicles. Interpretation (Regulation W Service 916.1) referred to in Board's telegram S-1180 W-92 dated October 30 would apply."

Approved unanimously.

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

"The maturity provision in the Supplement to Regulation X provides that no credit subject to the regulation shall have a maturity of more than 20 years (or, in some cases, 25 years) from the date such credit is extended. In trade practice, provision often is made for the payment of the first instalment on a loan on the first day of the second calendar month after the month in which the credit was extended. For example, if the credit was extended on October 25, the first instalment would become due on December 1.

"In order to permit this practice, in calculating the maximum maturity of credit subject to the regulation, a Registrant may, at his option, use any date not more than 32 days subsequent to the date such credit is extended."

Approved unanimously.

Telegram to Mr. Slade, Vice President of the Federal Reserve
Bank of San Francisco, reading as follows:

"Retel October 27 concerning application of section 6(b) of Regulation X to instances where pre-October 12 commitments are in existence between Registrant and builder covering first mortgages on new construction and builder has followed practice of taking, and expects in future to take, second mortgages himself. On basis of these facts alone, there is no commitment with respect to future second mortgages taken by the builder and such mortgages are not exempt under section 6(b). In absence of more detailed information concerning claimed pre-October arrangement for discount of such mortgages, we do not feel that we should express any definite opinion concerning effect of such arrangement, but it appears very doubtful whether it would result in any exemption."

Approved unanimously.

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

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"The Board has found the weekly spot survey of supply-demand conditions in the consumers' goods markets very helpful. We would like to have a further report to arrive not later than November 9. This report is necessary for Congressional Hearings beginning November 13. The purpose is to determine the state of supply-demand in consumer durable goods markets. While general answers are anticipated, the Board would also like to learn of the more significant exceptions. This is in lieu of weekly report requested in our telegram dated October 2 and further weekly reports are not required until further notice.

"1. With respect to new passenger automobiles, are the following items higher, lower, or unchanged compared to a year ago? Compared to a month ago? To what do you attribute changes that have occurred?

- a. Sales volume
- c. Trade-in allowances
- b. Dealers stocks
- in relation to market prices of used cars

"2. With respect to used cars, are the following items higher, lower, or unchanged compared to a year ago? Compared to a month ago? To what do you attribute changes that have occurred?

- a. Used car prices
- c. Dealers stocks
- b. Sales volume

"3. In relation to sales, are retailers' inventories of the following items higher, lower, or unchanged compared to a year ago? Compared to a month ago? Is there evidence of general shortages or shortages for particular brands?

- a. Television sets
- b. Radios, phonographs, or combinations
- c. Other major household appliances
- d. Household furniture

"4. In general, is the sales volume of the following items higher, lower, or unchanged compared to a year ago? Compared to a month ago?

- a. Television sets
- b. Radios, phonographs, or combinations
- c. Other major household appliances
- d. Household furniture

"5. Considering discounts, trade-in allowances, and all other pertinent factors what has happened to prices paid by consumers for the following items compared with a year ago? Compared with August?

- a. Television sets

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- "b. Radios, phonographs, or combinations
- c. Other major household appliances
- d. Household furniture

"6. To what do you attribute changes that have occurred with respect to sales, inventories, and prices of durable consumer goods other than automobiles.

"Where changes are reported in the various items mentioned above, it would be helpful to have quantitative indications of the changes, if such are possible to obtain.

"Although you may not be able to develop information for every question asked, we would appreciate brief comments on as many as possible. Please identify by numbers indicated above. If you discover other items which indicate the existence of inflationary or deflationary pressures in the consumer goods field, please report them also.

"It will also be appreciated if you will mail as promptly as possible the latest results of investigators' survey of terms pursuant to Division of Bank Operations letter B-1648 dated September 29 and telegram of October 18."

Approved unanimously.

Letter to Mr. Symms, Vice President of the Federal Reserve

Bank of San Francisco, reading as follows:

"This refers to your letter of October 27 regarding the question whether the 'no set-off' clause which is included in Army and Air Force contracts may also be included in contracts executed by the Department of the Navy and the four additional agencies of the Government designated as guaranteeing agencies under the provisions of Executive Order No. 10161.

"The Department of the Navy is expressly authorized by the Assignment of Claims Act of 1940 to include the no set-off clause in its contracts and we have been informed that the policy of the Navy Department, like that of the Army and Air Force, is to include the no set-off provision in its contracts. In this connection, we have been referred to section 12,305 of the Navy Procurement Directives.

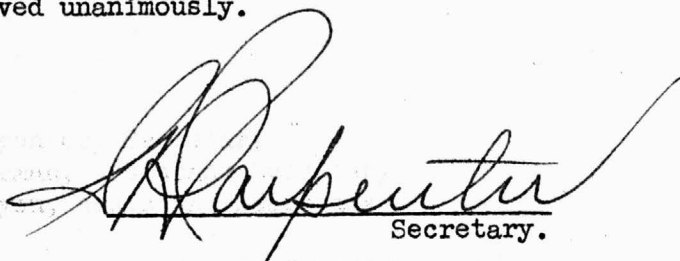
"Under present law, there is no authority for the inclusion of the no set-off clause in contracts entered

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"into by the Departments of Agriculture, Commerce and Interior and the General Services Administration, the other agencies designated as guaranteeing agencies under Executive Order No. 10161."

Approved unanimously.


Secretary.