Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, November 15, 1950.

PRESENT: Mr. Szymczak, Chairman pro tem.
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 November 14, 1950, were approved unanimously.

Memorandum dated October 30, 1950, from Mr. Marget, Director of the Division of International Finance, recommending an increase in the basic salary of Harry A. Gillis, Jr., an economist in that Division, from $3,950 to $4,200 per annum, effective November 26, 1950.

Approved unanimously.

Memoranda from the heads of the Divisions indicated below recommending increases in the basic annual salaries of the following employees in those Divisions, effective November 26, 1950:

<table>
<thead>
<tr>
<th>DIVISION AND DATE OF MEMO EXAMINATIONS</th>
<th>TITLE</th>
<th>SALARY INCREASE FROM TO</th>
</tr>
</thead>
<tbody>
<tr>
<td>W. R. Corkhum 11/13/50</td>
<td>Asst. Federal Reserve Exam.</td>
<td>$3,450 $3,575</td>
</tr>
<tr>
<td>Philip C. Rachford</td>
<td>Asst. Federal Reserve Exam.</td>
<td>3,700 3,825</td>
</tr>
<tr>
<td>ADMINISTRATIVE SERVICES</td>
<td></td>
<td></td>
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<tr>
<td>Jane Turner 11/13/50</td>
<td>Stenographer</td>
<td>3,035 3,115</td>
</tr>
<tr>
<td>Leila M. Wilson</td>
<td>Cafeteria Helper</td>
<td>2,190 2,260</td>
</tr>
<tr>
<td>Fred J. Lowe</td>
<td>Laborer</td>
<td>2,120 2,190</td>
</tr>
<tr>
<td>Herbert W. Bundy</td>
<td>Operator (Mimeograph)</td>
<td>2,572 2,652</td>
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</tbody>
</table>
Approved unanimously.

Memorandum dated November 13, 1950, from Mr. Young, Director of the Division of Research and Statistics, recommending that Miss Doris McTeer, a clerk-stenographer in the Division of Bank Operations, be transferred to the Division of Research and Statistics as a clerk-stenographer, with no change in her present basic salary of $2,650 per annum, effective as of the date on which she enters upon the performance of her duties. The memorandum also stated that Mr. Leonard was agreeable to this transfer.

Approved unanimously.

Memorandum dated November 13, 1950, from Mr. Young, Director of the Division of Research and Statistics, recommending that the resignation of Miss Dorothy R. Perkins, a clerk-typist in that Division, be accepted to be effective, in accordance with her request, at the close of business November 17, 1950.

Approved unanimously.

Memorandum dated November 13, 1950, from Mr. Young, Director of the Division of Research and Statistics, recommending the appointment of Mrs. Jane Marie Beckman Lashley as a clerk-typist in that Division, on a temporary indefinite basis, with basic salary at the rate of $2,690 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed the usual physical examination.
Memorandum dated November 14, 1950, from Mr. Bethea, Director of the Division of Administrative Services, recommending the appointment of Miss Patricia Ann Murphy as a page in that Division, with basic salary at the rate of $2,200 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed the usual physical examination.

Approved unanimously.

Letter to Mr. Young, President of the Federal Reserve Bank of Chicago, reading as follows:

"Reference is made to Mr. Diercks' letter of October 30, 1950, submitting the application of The Poland-State Bank, Poland, Indiana, for permission to exercise fiduciary powers. In view of the Reserve Bank's recommendation and the information submitted, the Board of Governors of the Federal Reserve System grants the applicant permission, under the provisions of its condition of membership numbered 1, to exercise the fiduciary powers now or hereafter authorized under the terms of its charter and the laws of the State of Indiana. You are requested to advise The Poland-State Bank, Poland, Indiana, of the Board's action."

Approved unanimously.

Letter to Honorable Maple T. Harl, Chairman, Federal Deposit Insurance Corporation, Washington 25, D. C., reading as follows:

"Reference is made to your letter of November 6, 1950, concerning the application of the 'South Side Bank of Bay Shore, N. Y.', Bay Shore, New York, for continuance of insurance after withdrawal from membership in the Federal Reserve System."
"No corrective programs have been urged upon the bank, or agreed to by it, in connection with which the Board of Governors would consider it desirable to incorporate conditions with respect to continuance of insurance.

"The asset condition of the bank is considered sound and its management satisfactory. Also, capital has been increased regularly and substantially through conservation of earnings."

Approved unanimously.

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

"The Board has on several occasions in the past requested reports from the Federal Reserve Banks as to the number of member and nonmember clearing banks which deposit in its Federal Reserve Bank or Branch a daily average of more than 300 cash items payable in the territory of another Federal Reserve Bank or Branch. The latest request for such reports was made under date of December 9, 1948.

"In order that we may have current information as to the number of such cases which still exist, it will be appreciated if you will furnish the Board with a list showing the names of banks which deposit with your Bank or its Branches, during the week beginning December 4, 1950, a daily average of more than 300 cash items payable in the territory of another Federal Reserve Bank or Branch, such reports to include an analysis showing the number of such items that are drawn on banks located in Federal Reserve Bank or Branch cities and the number of such country items that are payable in 'split states'.

"It will also be appreciated if you will accompany your reports with complete information relating to those cases, if any, which exist in your district."

Approved unanimously.

Letter to Mr. A. L. Trotta, Manager and Research Director,
Credit Management Division, National Retail Dry Goods Association,
100 West 31st Street, New York 1, New York, reading as follows:

"This will acknowledge and thank you for your letter of November 8 on the subject of the proposition of including charge accounts within the scope of Regulation W. The information and views you submit are interesting indeed.

"As you know, the Board's staff has been making an extensive study of the subject and the data you submit are helpful. The Board at present does not have the question under consideration."

Approved unanimously.

Letter to Mr. Lionel Moss, Moss Motor Company, 302 East Mountain Avenue, Fort Collins, Colorado, reading as follows:

"Thank you for your thoughtful letter of November 4, 1950 relative to the Board's Regulation W concerning consumer credit. We appreciate your concern over the situation that you described.

"We feel certain that you will agree that it is difficult to consider Regulation W and its intended purpose apart from other monetary and fiscal policies all of which are directed at reducing the heavy pressures of excessive purchasing power which tend to push upward on the entire price structure quite apart from the movement of prices for any one article, such as automobiles, for a short period of time.

"The regulation, of course, is designed specifically to dampen demand for consumer credit because of the heavy impact of such credit throughout the economy during a period such as the present when pressures generated by increases in the money supply are inimical to the public interest. It was these pressures which the Board, after appraisal of all the factors, found unabated and which caused it to adopt the recent amendment to the regulation.

"We recognize that in the administration of any such measure as Regulation W there are bound to be hardships to particular businesses and individuals."
"We sincerely trust that its present limitations will not have the unfortunate consequences which you predict. While it is likely that the restraint on the continuous rapid expansion of purchasing power imposed by present fiscal and credit policies will result in readjustments all along the line, it would seem that once these readjustments are made to a more sustainable level of expenditures and the present inflationary spiral is checked, the general public and business will benefit. On the other hand if the inflationary spiral is not restrained exceedingly serious consequences will accrue to the nation as a whole."

"You may be certain that the Board will continue to study the regulation in the light of all the facts which come to its attention and in that connection will welcome any additional data that automobile dealers may care to submit."

Approved unanimously.

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

"Retel November 9 concerning exemptions under section 5(g) of Regulation X. Exemption granted a builder under section 5(g) is applicable to a long-term mortgage loan to the builder to finance the new construction. However, if builder is a Registrant, the provisions of section 4(a)(6) must be taken into consideration if he subsequently sells the property subject to such mortgage loan."

Approved unanimously.

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

"For your information and guidance in connection with the execution of V-loan guarantees on behalf of the Departments of the Army, the Navy, and the Air Force, there is enclosed a copy of a memorandum
"addressed by Mr. Robert C. Lovett, Deputy Secretary of Defense, to the Secretaries of the Military Departments, the Assistant Secretary of Defense, and the Chairman of the Munitions Board, dated October 14, 1950.

"This memorandum establishes basic contract financing policies for the Department of Defense, including policies with respect to guaranteed loans, and sets up a Contract Finance Committee composed of representatives of the Assistant Secretary of Defense, the Munitions Board, and the Departments of the Army, the Navy, and the Air Force. It will be noted that, with respect to matters involving guaranteed loans, a representative of the Board of Governors may be invited to meet with the Committee."

Approved unanimously.

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

"For your information, we have been advised by the General Services Administration and the Department of Interior that those agencies, as a matter of policy, will be willing to consider applications for V-loan guarantees of loans made for the purpose of financing facilities or plant construction, as well as guarantees of loans for working capital purposes."

Approved unanimously.

Letter for the signature of the Chairman to Mr. H. J. Heinz II, Chairman, United States Council of the International Chamber of Commerce, Inc., 18 East 41st Street, New York 17, New York, reading as follows:

"I wish to thank you for sending me a copy of your questionnaire on 'The Future of ECA and OEEC in a Rearming World', which I understand was sent also to other members of the Board of Governors of the Federal Reserve System and to members of the Senior Staff of the Board."
"The topic that you have chosen is certainly one of very great interest to us; and the three premises stated in the introduction to your questionnaire represent a position with which we are definitely in accord. I am sure, therefore, that you will understand that the decision indicated below in no way implies any lack of sympathy with your project or any lack of desire to assist in every way possible.

"The difficulty which stands in the way of our providing formal answers to your questionnaire is that most of the questions covered are questions which are now under interdepartmental discussion here in Washington. It is expected that this interdepartmental discussion will result in a unified Governmental position on all the issues involved. Under the circumstances, we feel that it would be improper for us to provide separate formal answers to the questions raised.

"It goes without saying that if we can be of assistance to your project in some other way, we shall do what we can. In any event, you may be assured of our continuing interest in your project and in the results it may yield."

Approved unanimously.

Memorandum dated November 9, 1950, from Mr. Evans, recommending that the Board's representatives who find it necessary to proceed to the West Coast in connection with resumption of hearings in the Clayton Act proceeding against Transamerica Corporation, be allowed reimbursement for travel expenses on the same basis as applied earlier this year when the hearing was being held on the West Coast, i.e., that in addition to the applicable per diem in lieu of subsistence and other allowances authorized by the Board's official travel regulations, they be allowed reimbursement for the rental of a small modest furnished apartment or suitable hotel room accommodations in San Francisco as shown by receipted bills.
Memorandum dated November 14, 1950, from Mr. Carpenter, Secretary of the Board, reading as follows:

"In connection with the appointments of Messrs. Charles T. Fisher, Jr., on September 13, 1950, R. J. Saulnier on September 15, 1950, and William A. Clarke on October 5, 1950, to assist in the Office of Real Estate Credit, it was provided that they would be compensated at the rate of $50 per day for each day they were away from Detroit, New York, and Philadelphia, respectively, in connection with their assignments. In the case of the appointment of Ernest M. Fisher on August 4, 1950, as consultant to the Division of Research and Statistics in connection with the regulation of real estate credit, it was provided that he be paid a fee of $50 a day for each day worked for the Board, and in the appointment of Nicholas Stevens on November 8, 1950, to assist in the Office of Real Estate Credit, compensation was to be at the rate of $15 for each day worked for the Board. In all cases there was also provision for per diem in lieu of subsistence and for travel expenses.

"In the cases of Messrs. C. T. Fisher, Jr., Saulnier, and Clarke the references to compensation at the rate of $50 per day for each day they were away from their home cities should have read the same as the recommendations for Messrs. E. M. Fisher and Stevens, i.e., 'for each day worked for the Board', and the reference to 'each day away from' their home cities was intended to apply to the per diem in lieu of subsistence.

"This memorandum is submitted for the purpose of clarifying the understanding in connection with the appointments of Messrs. C. T. Fisher, Jr., Saulnier, and Clarke in order that appropriate compensation may be made for services performed in their home cities of Detroit, Philadelphia, and New York, respectively."

Approved unanimously.

Memorandum dated November 15, 1950, from Mr. Williams, Acting Assistant Director of the Division of Research and Statistics,
11/15/50

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recommending that the Board approve the subscription to the R. L. Polk & Co. statistical reporting service on sales of new passenger automobiles, on an experimental basis for a period of two months. The memorandum stated that approximate cost of the service would be $1,350 per month or not to exceed $2,700 for the two-month trial period, and recommended that the appropriate classification in the Budget of the Division of Research and Statistics be increased, if necessary, to take care of expenses for the trial subscription.

Approved unanimously.

Secretary.