

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, December 5, 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 December 4, 1950, were approved unanimously.

Memorandum dated December 1, 1950, from Mr. Sloan, Assistant Director of the Division of Examinations, recommending that the resignation of Mrs. Margaret J. Betts, a stenographer in that Division, be accepted to be effective December 1, 1950.

Approved unanimously.

Telegram to Mr. Woolley, Vice President of the Federal Reserve Bank of Kansas City, reading as follows:

"Reurlet November 27, 1950, Board approves designation of Dean Robert Young as a special assistant examiner for the Federal Reserve Bank of Kansas City while a trainee for position as an assistant examiner."

Approved unanimously.

Letter to Honorable Ralph E. Flanders, United States Senate, Washington, D. C., reading as follows:

"This refers to your letter of November 17, 1950 with which you enclosed a letter from Mr. Kenneth

12/5/50

-2-

"R. Beckwith, an automobile dealer of Middlebury, Vermont. Mr. Beckwith stresses the seasonal nature of the automobile business and the depressing impact which the recent amendment to this Board's Regulation W is likely to have on automobile sales during a period of normally dull activity.

"We have been particularly interested in Mr. Beckwith's letter and in his thoughtful approach to the problem. We agree, of course, that seasonal factors customarily result in a slowing down of automobile sales in some regions. The Board recognized that its recent amendment and the period of low automobile sales activity would coincide. It was only after the most thorough appraisal of all the factors that the Board decided to amend the regulation. The specific action appeared necessary because of the immediate danger of a serious inflation. It was found that inflationary pressures, which had been gathering momentum for some time, continued to be strong and, unless vigorously resisted, could have no ultimate result other than to push seriously upward on prices. It was recognized that the level of terms, as amended, would result in some hardship to some businesses and to some individuals. In view of the urgency of the inflationary problem, however, it did not appear to be in the public interest to defer action and run the risk of the more severe hardships to the nation as a whole which a disastrous inflation would bring.

"You may be certain that the Board will continue to study the regulation and its effects on the automobile and other industries. We particularly appreciate your kindness in forwarding Mr. Beckwith's letter to us and giving us the opportunity to study it and comment on it."

Approved unanimously.

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

"The threat of buyers' markets in certain lines of consumer durable goods coming concurrently with the

12/5/50

-3-

"relatively strict terms prescribed by Regulation W has led to the development or increased use of trade promotional devices which may have the effect, if not the purpose, of avoiding the restrictions of the regulation with respect to down payment or maturities.

"Certain dealers have already come forward with various proposals, some of them new, in connection with their plans to sustain or increase their sales volume. The Regulation W status of these plans when they come to the attention of the System should be reviewed with considerable caution. In some cases the purpose is not immediately evident nor are the facts fully set forth.

"In this connection the Board was recently asked whether certain transactions would be excluded from Regulation W. The transactions were not fully described, but appeared to be similar in many respects to certain ones which the Board, in a previous interpretation, had stated were subject to the regulation.

"After a careful study of the general information presented, the Board stated that it did not find anything to distinguish the present situations from the general principles under which the transactions in the previous interpretations were held to be subject to the regulation. In that connection the Board added that:

'Although it might not be entirely correct to say that there would never in any circumstances be any exception to those principles, it is clear that any exception that might exist would be an extremely rare and unusual case, and not of a character to be susceptible of the kind of sales promotion in which the _____ company has shown itself to be interested.'

"The Board also stated the following which is of general interest in connection with some inquiries that come to the Board or the Reserve Banks as to whether certain transactions are excluded from the operation of the regulation:

12/5/50

-4-

"Another factor may deserve mention here. The Board and the Reserve Banks do on some occasions express opinions regarding classes or types of situations without all the facts of a particular case having been fully presented. However, the present situation presents an entirely different type of problem. It emphasizes the need for full information before ruling on questions, especially before issuing a ruling that might have more sweeping consequences than expected or that might invite evasions. In the circumstances, the Board is convinced that it would be impracticable and undesirable to state that any transaction such as here involved was outside the scope of the regulation without first giving the question the most careful consideration on the basis of a full statement of all the facts and circumstances of a particular case, including information as to how the question arises, how frequently or infrequently the situation occurs, etc."

Approved unanimously.

Telegram to Mr. Hampton Powell, The Lane Company, Inc.,
Altavista, Virginia, reading as follows:

"This is in reply to your wire of November 27 regarding Regulation W. We attempted to reach you by telephone last week, both in Alta Vista and in your Washington hotel. The Board has no plans at this time either to include jewelry or to raise the \$50 figure presently applicable to listed articles requiring a down payment. Board after thorough consideration has concluded that jewelry for a number of reasons should not now be included in the regulation. Among other reasons the amount of credit arising out of jewelry sales is not of such magnitude to warrant, under present conditions, its inclusion under Regulation W. For the most part such credits are arranged with relatively short maturities.

12/5/50

-5-

"We are aware that because jewelry sales are not subject to Regulation W there might be some transferral of demand from listed articles to jewelry but, our studies have indicated that the transferral would be exceedingly slight particularly in view of the fact that a figure as high as \$50 should take care of a large percentage of gift purchases. We appreciate your interest in the matter and we know you will agree that the regulation to be effective must materially dampen demand particularly during this pre-Christmas period when sales pressure is heaviest."

Approved unanimously.

Letter to Mr. Boyd, Chief Examiner of the Federal Reserve Bank of Cleveland, reading as follows:

"Reference is made to your letter of November 30, 1950, advising that, because of abnormal weather conditions, you were forced to abandon your schedule of examinations for the week beginning November 27, 1950, and that, as a result, it appears that it will be impracticable to examine The Dollar Savings & Trust Company, Youngstown, Ohio, within the current year.

"It is noted that your program will be completed with this one exception, that The Dollar Savings & Trust Company was last examined October 31, 1949, which examination disclosed no serious problems, and that its examination will be scheduled early in January 1951. In the circumstances, the Board of Governors will interpose no objection to deferment of the examination of the bank as proposed."

Approved unanimously.

Letter to Mr. Walter F. Ryan, Clearance Officer, Division of Statistical Standards, Bureau of the Budget, Washington 25, D. C., reading as follows:

12/5/50

-6-

"The Board has approved, in connection with the forthcoming end-of-year call for reports of condition, the collection of reports of deposits by counties from State member banks that have out-of-county branches and reports of deposits for individual branches from a few State member banks in the New England States which have branches outside of their metropolitan areas, provided that similar reports are obtained by the Comptroller of the Currency from national banks and by the Federal Deposit Insurance Corporation from insured non-member banks.

"This request is part of the program for collecting branch statistics outlined in our letter of April 5, 1949. It is designed primarily to provide information by counties for publication in the pamphlet, Distribution of Bank Deposits by Counties, which was published by the Board as of December 31, 1947 and June 30, 1949, and by the Treasury as of December 31, 1941-44. We also plan to expand this pamphlet somewhat to include tabulations for some of the principal metropolitan areas, as recently defined in the Bureau of the Budget release dated October 17, 1950, and to show figures for total deposits in addition to the deposits of individuals, partnerships, and corporations.

"It is anticipated that reports would be collected only from banks with branches located outside of the head office county (about 130 member banks and 200 nonmember banks) and that special listings would be collected from a few banks in the New England States which have branches located outside of the metropolitan areas. These listings are necessary for about 10 member banks and 5 nonmember banks in order to prepare tabulations that conform with the metropolitan area definitions in New England. Information would be requested for three deposit items: (1) demand deposits of individuals, partnerships, and corporations, (2) time deposits of individuals, partnerships, and corporations, and (3) other deposits.

"We will appreciate any comments or suggestions you may have regarding the proposed request and tabulations."

12/5/50

-7-

Approved unanimously.

Letter to Mr. Eustace Mullins, Cleaners' Press, P. O. Box 6974, Congress Heights Station, Washington 20, D. C., reading as follows:

"This is in reply to your recent letter in which you refer to the power granted the Federal Reserve Board under the provisions of the original Federal Reserve Act 'to suspend or remove any officer or director of any Federal Reserve Bank, the cause of such removal to be forthwith communicated in writing by the Federal Reserve Board to the removed officer or director and to said Bank'. You ask whether the Board has had occasion to take action under this provision, and, if so, for a statement of the circumstances involved.

"There has been one instance in which it was found necessary to resort to the provision of the Act which you mention. Since the circumstances thereof are considered to be a private matter between the Board, the Reserve Bank, and the person concerned, we regret that we are unable to furnish you with a detailed answer to the second part of your inquiry."

Approved unanimously.

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

"As you know, the Board on December 19, 1947, adopted a rule prescribing standards for classification of reserve cities and providing for a triennial designation of such cities. The rule appears on pages 86-87 of the Board's 1947 Annual Report. As a basis of the action which the Board will take under the rule effective March 1, 1951, the enclosed table has been prepared showing total deposits, total demand deposits, and interbank demand deposits of member banks in reserve cities other than Federal Reserve Bank and Branch cities, and in nonreserve cities with a large volume of interbank demand deposits, together

12/5/50

-8-

"with two interbank demand deposit ratios. The figures of deposits are averages of call dates December 31, 1948 to June 30, 1950, inclusive. For comparative purposes, however, interbank demand deposit ratios are shown for the period December 31, 1945 to June 30, 1947, as well as for the period December 31, 1948 to June 30, 1950.

"As you will observe from the attached table, the reserve city designation of each of the following 12 cities will be terminated by the Board on March 1, 1951 unless every member bank in the city requests continuance of the designation, and no additional reserve cities will be designated:

Lincoln, Nebraska	Galveston, Texas
Cedar Rapids, Iowa	Peoria, Illinois
Sioux City, Iowa	Topeka, Kansas
St. Joseph, Missouri	Pueblo, Colorado
Kansas City, Kansas	Waco, Texas
Toledo, Ohio	Dubuque, Iowa

"Please advise each member bank in any of the above cities in your district that the reserve city designation of the city will be terminated as of March 1, 1951 unless written requests for its continuance are received by your Bank from all member banks in the city (except member banks in outlying districts permitted by the Board of Governors to maintain reduced reserves) by February 15, 1951. You may also advise any other interested member bank in your district of the forthcoming redesignations and terminations.

"It will be appreciated if you will forward to the Board as promptly as convenient all requests received by your Bank from the member banks for continuance of the reserve city status. Should any such requests be received too late to permit their being forwarded to reach the Board by February 16, 1951, it is requested that you advise the Board by wire of the receipt of such requests."

Approved unanimously.

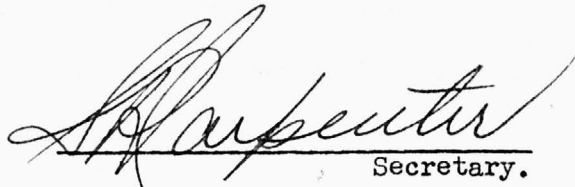
Memorandum dated December 4, 1950, from the Division of

-9-

12/5/50

Personnel Administration, recommending that the Board authorize the payment of the physician's fee for the physical examination of Mrs. Della Payne, an employee in the Division of Administrative Services who has filed an application requesting that she be retired effective January 1, 1951 because of disability, as well as similar fees for necessary physical examinations of any employees of the Board who request disability retirement in the future.

Approved unanimously.


Secretary.