

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, January 3, 1951.

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 January 2, 1951, were approved unanimously.

Memorandum dated December 28, 1950, from Mr. Phelan, Acting Director of the Division of Selective Credit Regulation, recommending that William J. Powers, an economist in the Division of Research and Statistics, be transferred to the Division of Selective Credit Regulation as an analyst, with an increase in his basic salary from \$3,950 to \$4,600 per annum; that Robert P. Fuhrer, an analyst in the Division of Bank Operations, be transferred to the Division of Selective Credit Regulation as an analyst, with an increase in his basic salary from \$4,200 to \$4,600 per annum; and that Theodore A. Veenstra, Jr., an analyst in the Division of Bank Operations, be transferred to the Division of Selective Credit Regulation as an analyst, with no change in his present basic salary of \$3,100 per annum, all being effective as of the date they enter on duty. The memorandum also stated that these recommendations have been discussed with the Directors of the Divisions in which Messrs. Powers,

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Fuhrer, and Veenstra are now employed and are concurred in by them.

Approved unanimously.

Memoranda dated December 22 and 28, 1950, from Mr. Vest, General Counsel, recommending that Eugene C. Harrison, a clerk-typist in the Office of the Secretary, be transferred to the Legal Division as a clerk, with no change in his present basic salary of \$2,650 per annum, effective as soon as agreeable to the Secretary's Office, and recommending that the temporary appointment of Mr. Harrison be extended for an additional period of not to exceed six months from January 27, 1951. The memorandum also stated that the Secretary's Office was agreeable to this transfer.

Approved unanimously.

Memorandum dated December 26, 1950, from Mr. Young, Director of the Division of Research and Statistics, recommending that Messrs. Ernest M. Fisher and Duncan M. Holthausen, currently members of the consultant staff, be continued on the list of Consultants for 1951 with compensation at the rate of \$50.00 for each day of service for the Board for Mr. Fisher, and at the rate of \$40.00 for each day of service for the Board for Mr. Holthausen. The memorandum further recommended that they be allowed transportation expenses in accordance with the Board's travel regulations and that Mr. Holthausen be allowed as usual per diem at the rate of \$9.00 and that Mr. Fisher be allowed per diem at the rate of \$15.00.

Approved unanimously,
Mr. Vardaman not voting.

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Letter to Mr. Hodgkinson, Chairman of the Federal Reserve Bank of Boston, reading as follows:

"This refers to Mr. Creighton's letter of December 12, 1950 enclosing three copies of an agreement covering special retirement payments to President Erickson duly executed by him and Mr. Creighton, and requesting the Board's approval thereof.

"Following our letter of December 12, 1949, a draft of an agreement similar to the one enclosed with Mr. Creighton's letter was submitted for clearance to the Bureau of Internal Revenue, and although we have received a favorable ruling on the question whether the agreement would affect the retirement system, we have not yet received a ruling on the question as to how the sums would be taxed to the recipient. Subject to the Board's receiving a favorable ruling from the Bureau of Internal Revenue on the pending tax question, the Board approves the agreement submitted under date of December 12, 1950. All copies of the agreement, however, will be retained in the Board's files until we have received a favorable ruling from the Bureau of Internal Revenue, at which time we will execute and return to you two copies of the agreement with Mr. Erickson."

Approved unanimously.

Letter to Mr. Leedy, President of the Federal Reserve Bank of Kansas City, reading as follows:

"The Board of Governors approves the payment of salary to the following officers at the rates indicated which, according to your letter of December 11, 1950, are the rates which were approved by your board of directors, for the period beginning December 16, 1950, through May 31, 1951:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
<u>Head Office</u>		
C. E. Sandy	Cashier	\$10,400
G. A. Gregory	Assistant Vice President	10,000
M. W. E. Park	Assistant Vice President	9,600

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<u>"Name</u>	<u>Title</u>	<u>Annual Salary</u>
<u>Head Office</u>		
E. U. Sherman	Assistant Vice President	\$9,000
E. D. Vanderhoof	Assistant Cashier	7,600
C. A. Cravens	Assistant Cashier	6,900
P. A. Debus	Assistant Cashier	6,600
J. T. White	Assistant Cashier	6,000
C. L. Bollinger	Auditor	8,400
L. F. Mills	Chief Examiner	8,400
<u>Denver Branch</u>		
F. H. Larson	Cashier	8,200
H. L. Stempel	Assistant Cashier	7,200
Hubert G. Duck	Assistant Cashier	7,100
<u>Oklahoma City Branch</u>		
F. W. Alexander	Cashier	8,200
F. R. Fritz	Assistant Cashier	7,200
Fred C. Schmocker	Assistant Cashier	7,100
<u>Omaha Branch</u>		
J. K. Friedebach	Cashier	8,200
U. S. Berry	Assistant Cashier	7,300
William P. Doran	Assistant Cashier	7,100

"The Board has considered the proposed adjustment in the salary of Clarence W. Tow, Director of Research, which is different in some ways from the other increases proposed in your letter of December 11, 1950, and would prefer that further consideration be deferred until the regular annual review next May.

"The Board also approves the payment of salary to several employees who are below the minimums of their grades because of the recent adjustment in the salary structure. It is understood that these employees will be brought within the appropriate range not later than April 1, 1951."

Approved unanimously.

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

"The Board of Governors approves the payment of salary to the following officers at the rates indicated which, according to your letter of December 15, 1950, are the rates which were approved by your Board of Directors, for the period beginning December 15, 1950, through May 31, 1951:

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<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
<u>Head Office</u>		
J. L. Cook	Assistant Cashier	\$8,700
Howard Carrithers	Assistant Cashier	8,000
W. D. Waller	Assistant Cashier	7,500
T. W. Plant	Assistant Cashier	7,200
H. W. Kilman	Assistant Cashier	7,200
<u>Houston Branch</u>		
H. K. Davis	Cashier	7,500
B. J. Troy	Assistant Cashier	6,600
<u>San Antonio Branch</u>		
A. E. Mundt	Cashier	6,600
F. C. Magee	Assistant Cashier	6,000
<u>El Paso Branch</u>		
A. E. Russell	Cashier	6,300
T. C. Arnold	Assistant Cashier	5,700."

Approved unanimously.

Telegram to Mr. Clark, First Vice President of the Federal Reserve Bank of Atlanta, reading as follows:

"Referring your December 29 wire Board will interpose no objection to replacement of elevator in New Orleans Branch building at a cost of approximately \$28,000."

Approved unanimously.

Letter to Mr. Sproul, President of the Federal Reserve Bank of New York, reading as follows:

"This refers to your letter of December 29, 1950, addressed to Governor Powell with respect to the meeting held on December 28 of the subcommittee of six, consisting of two representatives each of the American Bankers Association, the Investment Bankers Association of America, and the Life Insurance Association of America, which was appointed in accordance with the action taken at the meeting held at the request of the Board of Governors of the Federal Reserve System on December 19 to discuss the possibility of a voluntary credit restraint agreement and program under section 708 of the Defense

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"Production Act of 1950. It is noted that Mr. Logan, Vice President and General Counsel of your Bank, and Mr. Treiber, Vice President of your Bank, attended the meeting of the subcommittee and that you were present during a part of it. It is also noted that the members of the subcommittee indicated that they considered it desirable to have a representative of the Board of Governors of the Federal Reserve System attend meetings of the subcommittee.

"The Board agrees that, in view of the provisions of the law and of Executive Order 10161 and also to conform to the suggestion in the Attorney General's letter of December 1, 1950, it is desirable for a representative of the Board to be present at meetings of the subcommittee. Accordingly, the Board hereby designates Mr. Logan, Vice President and General Counsel of your Bank, and Mr. Treiber, Vice President of your Bank, and requests that they, or either of them, serve as representatives of the Board of Governors of the Federal Reserve System at any and all meetings of the subcommittee which was authorized at the meeting held on December 19 of representatives of the American Bankers Association, the Investment Bankers Association of America, and the Life Insurance Association of America.

"As you know, the agreements and programs contemplated by section 708 of the Defense Production Act are voluntary in character and, accordingly, it is our feeling that while any representatives of the Board of Governors, either in meetings of the subcommittee or in other meetings with representatives of financing institutions, should encourage the making of such agreements and programs to the fullest extent possible, they should not urge the adoption of particular provisions of such agreements or programs. The working out of the agreements or programs, subject to the law and the executive order, is a matter in which we feel the representatives of financing should take the lead. The representatives of the Board should, however, not only act as observers at the meetings but be as helpful as possible in connection with any questions or problems that may arise. They should, of course, participate in any such meetings as fully as need be in order to carry out these purposes.

"We are sending a copy of this letter to Mr. Carroll M. Shanks, of the Life Insurance Association of America, who is chairman of the subcommittee.

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"We are also sending a copy to the Attorney General in order that he may be fully advised with respect to this matter."

Approved unanimously.

Letter to Mr. J. H. Shreiner, Vice President, Towers, Perrin, Forster & Crosby, Inc., 12 South 12th Street, Philadelphia 7, Pennsylvania, reading as follows:

"The Board of Governors authorizes the firm of Towers, Perrin, Forster & Crosby, Inc., to undertake a study to determine the best method of providing active service death benefits for employees of the Federal Reserve System.

"It is understood that in making this study you will follow the plan outlined in your letter of November 20, 1950, and that if a commercial insurer is ultimately selected, the commissions from the insurer will go to Towers, Perrin, Forster & Crosby, Inc., as full payment for their services, but that in the event a commercial insurer is not appointed, the cost of the study, which according to your letter of December 8, 1950, will not exceed \$10,000, will be paid by the Board of Governors.

"For your information in this connection, it is the opinion of the Board's Counsel, under the provisions of the Internal Revenue Code and the regulations of the Bureau of Internal Revenue, that (1) death benefits paid under the present provisions of the Federal Reserve Bank retirement plan to a beneficiary of a deceased employee would be held to be subject to Federal income tax (as a long term capital gain if the total amount is distributed in one taxable year); (2) the proceeds of a life insurance policy, if purchased by the Federal Reserve Bank Retirement System from an insurance company, would not be subject to Federal income tax in the hands of a beneficiary of a deceased employee; and (3) the payment by the Federal Reserve Bank Retirement System of premiums for group life insurance on a term basis not involving the accumulation of benefits, such as cash surrender value, would not under present regulations result in income for tax purposes

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"to the employees whose lives are covered. It is recognized that no final decision by the courts has been made on some of these questions, but these are the conclusions of our Counsel based upon the existing rulings of the Bureau of Internal Revenue.

"If the Board of Governors, or its staff, can aid you in the work of the proposed study, we shall be happy to cooperate."

Approved, Mr. Vardanan not voting, with the understanding that, if the cost of the study referred to in the second paragraph of the above letter is paid by the Board of Governors, the appropriate budget of the Division of Administrative Services will be increased by an amount to equal such cost.

Letter for the signature of the Chairman to Mr. Alexander E. Duncan, Chairman of the Board, Commercial Credit Company, Baltimore 2, Maryland, reading as follows:

"This refers to your letter of December 13, regarding this Board's Regulation W--Consumer Credit.

"We appreciate having your views on the exemption provided in Regulation W under certain conditions for credits extended to veterans. As indicated by the newspaper clipping you enclosed, advertisements are appearing in some cities which may be misleading in so far as they fail to show all of the conditions that must be met in order for such credits to be exempt under Regulation W. As you know the exemption under section 7(e)(5) is limited to credit 'extended, guaranteed, or insured in whole or in part by the Administrator of Veterans' Affairs pursuant to the provisions of Title III of the Servicemen's Readjustment Act of 1944, as amended, or by any State agency pursuant to similar State legislation'.

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"Opposing points of view have been presented to us from time to time as to the desirability of providing such an exemption for veterans, and we recognize that both of these views have merit. As you indicate, there are cases where a non-veteran may have as great a need as does a veteran to buy a listed article on easier credit terms than are permitted by the regulation. On the other hand Congress has shown its intent, in certain legislation, that veterans be given preference in Governmental regulations. In section 605 of the Defense Production Act of 1950, for example, Congress provided that the relative credit preferences accorded veterans under certain existing laws shall be continued with respect to regulation of real estate credit. After considering all of the various factors, the Board has felt that the present exemption is desirable at this time but you may be sure that this matter will be carefully considered in our continuing study of the regulation.

"We agree entirely with your feeling about the leasing of automobiles in an effort to evade the provisions of the regulation. In this connection we recently published in the Federal Register a statement on the status of leasing arrangements under Regulation W. This points out that leasing arrangements other than those limited to a single payment in general are subject to the regulation in the same manner as instalment sales. We are enclosing a copy of this statement for your information and should appreciate any comments you might have."

Approved unanimously.

Letter to Honorable George Mahon, House of Representatives,
Washington, D. C., reading as follows:

"This refers to your letter dated December 8, relative to this Board's Regulation W concerning consumer credit.

"As you know, the regulation, along with other monetary and fiscal policies, is intended specifically to dampen demand for consumer instalment credit during this period when the money supply

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"is swollen. Therefore, in considering which articles or class of articles should be subject to the regulation, the Board was guided primarily by the magnitude of instalment credit arising out of the sale of particular goods. The amount of instalment credit arising out of the sale of jewelry and other luxury articles is comparatively small.

"Consideration has been given on various occasions to the possibility of including jewelry within the coverage of the regulation and it has been felt that the greatly increased administrative burden would not be justified by the relatively small volume of credit that would be affected.

"You may be certain that we shall continue to study the question of the advisability of expanding the regulation to include articles not now subject to its provisions."

Approved unanimously.

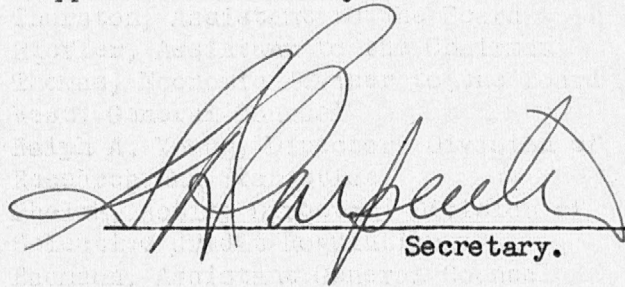
Memorandum dated December 28, 1950, from Mr. Chase, Assistant Solicitor, recommending that Dr. Goldenweiser be reimbursed for the expenses allowable under the Board's travel regulations and the additional expenses incurred by him amounting to \$470.57, in connection with his trip to San Francisco during the period November 26 to December 11, 1950, in connection with the Transamerica proceedings.

Approved unanimously.

Memorandum dated January 2, 1951, from Mr. Townsend, Solicitor, requesting authority to go to San Francisco in connection with the completion of the records in the Transamerica case, and that he be allowed reimbursement for travel expenses on the same

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 basis as applied when he was previously in San Francisco in connection with these proceedings, namely, per diem in lieu of subsistence at the rate of \$9.00 and other allowances authorized by the Board's official travel regulations, and reimbursement for the rental of a small modest furnished apartment or suitable hotel room accommodations as shown by receipted bills.

Approved unanimously.


 Secretary.