

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, February 19, 1951. The Board met in the Special Library at 3:15 p.m.

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

Mr. Sherman, Assistant Secretary
 Mr. Kenyon, Assistant Secretary
 Mr. Thurston, Assistant to the Board
 Mr. Riefler, Assistant to the Chairman
 Mr. Vest, General Counsel
 Mr. Townsend, Solicitor
 Mr. Young, Director, Division of
 Research and Statistics
 Mr. Phelan, Acting Director, Division
 of Selective Credit Regulation

Before this meeting there had been distributed to the members of the Board a memorandum of topics to be discussed at the meeting of the Board with the Federal Advisory Council tomorrow morning at 10:30 a.m. The memorandum was discussed and it was agreed that the views of the Board would be stated substantially as recorded in the minutes of the joint meeting.

Letter to be dated February 20, 1951, to the Presidents of all Federal Reserve Banks, reading as follows:

"As you know, the Board's rule with respect to the classification of central reserve and reserve cities which was adopted on December 19, 1947, provides for a triennial designation of reserve cities. Acting pursuant to that rule, the Board has taken action, to become effective March 1, 1951, for the continuance of the reserve city

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"classification of certain existing reserve cities and the termination of the reserve city classification of certain other existing reserve cities. A copy of the Board's action, which will shortly be published in the Federal Register, is enclosed herewith.

"It will be appreciated if you will bring this action of the Board to the attention of member banks in your District.

"The effect of this action is to continue the reserve city designations of all presently existing reserve cities except Peoria, Illinois, Galveston, Texas, and Waco, Texas, which will cease to be reserve cities on March 1, 1951."

Approved unanimously together
with the following statement:

"Acting in accordance with the rule regarding classification of central reserve and reserve cities which was adopted by the Board on December 19, 1947, and became effective March 1, 1948 (hereafter referred to as the Board's rule), and pursuant to authority conferred upon it by section 11(e) of the Federal Reserve Act and other provisions of that Act, the Board of Governors has taken the following actions for the continuance of the classification of certain cities as reserve cities and the termination of the reserve city designations of certain other cities, all such actions to become effective March 1, 1951:

(1) The City of Washington, D. C., and every city except New York and Chicago in which there is situated a Federal Reserve Bank or a branch of a Federal Reserve Bank are hereby continued as reserve cities.

(2) On the basis of official call reports of condition in the two-year period ending on June 30, 1950, the following cities met the standard prescribed in paragraph (2) of subsection (b) of the Board's rule, and, therefore, such cities, in addition to the reserve cities classified as such under paragraph (1) above, are hereby continued as reserve cities:

Columbus, Ohio; Des Moines, Iowa; Indianapolis, Indiana; Milwaukee, Wisconsin; National City (National Stock Yards), Illinois; St. Paul, Minnesota; Tulsa, Oklahoma; Wichita, Kansas; and Fort Worth, Texas.

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"(3) On the basis of official call reports of condition in the two-year period ending June 30, 1950, the following cities did not meet the standard prescribed in paragraph (2) of subsection (b) of the Board's rule, but a written request for the continuance of each such city as a reserve city was received by the Federal Reserve Bank of the District in which the city is located on or before February 15, 1951, from every member bank having its head office or a branch in such city (exclusive of any member bank in an outlying district in such city permitted by the Board to maintain reduced reserves), together with a certified copy of a resolution of the board of directors of such member bank duly authorizing such request; and, accordingly, in accordance with paragraph (3) of subsection (b) of the Board's rule, the following cities, in addition to the reserve cities classified as such under paragraphs (1) and (2) above, are hereby continued as reserve cities:

Toledo, Ohio; Cedar Rapids, Iowa; Dubuque, Iowa; Sioux City, Iowa; Kansas City, Kansas; Lincoln, Nebraska; Pueblo, Colorado; St. Joseph, Missouri; and Topeka, Kansas.

(4) On the basis of official call reports of condition in the two-year period ending June 30, 1950, the following cities did not meet the standard prescribed in paragraph (2) of subsection (b) of the Board's rule, and, consequently, the designation of such cities as reserve cities is hereby terminated:

Peoria, Illinois; Galveston, Texas; and Waco, Texas."

Unanimous approval was also given to the following statement for publication in the Federal Register:

"The notice and public procedure described in sections 4(a) and 4(b) of the Administrative Procedure Act and the prior publication described in section 4(c) of such Act are impracticable, unnecessary and contrary to the public interest in connection with this action for the reasons and good cause found as stated in § 262.2(e) of the Board's Rules of Procedure (Part 262), and especially because such notice, procedure and prior publication would serve no useful purpose."

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Mr. Evans then called upon Mr. Townsend who stated that a letter had been received from the Federal Reserve Bank of San Francisco dated February 15, 1951, reporting that an investigation of Duke Randall Motors, Inc. of San Pedro, California indicated numerous willful violations of Regulation W, Consumer Credit, and recommending that the Board take appropriate steps to bring about compliance. Mr. Townsend also said that a letter had been received from the Federal Reserve Bank of St. Louis dated February 13, 1951, reporting apparent willful violations of the Regulation by Roberts Motor Company, and Norm Birkhead Auto Sales of Evansville, Indiana and recommending that appropriate steps be taken by the Board to bring about compliance. He went on to say that it would be his recommendation that the Board authorize the issuance of orders for investigation of the concerns mentioned with a view to obtaining injunctive decrees against their continuing violations of the Regulation.

Thereupon, upon motion by Mr. Evans, unanimous approval was given to the following orders with the understanding that Mr. Townsend and Mr. Chase, Assistant Solicitor, would be authorized to undertake travel necessary to carry out the orders:

"UNITED STATES OF AMERICA
BEFORE THE

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

At a meeting of the Board of Governors of the Federal Reserve System held at its offices in the City of

Washington, D. C., on the 19th day of February, A. D., 1951

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"In the Matter of
DUKE RANDALL MOTORS, INC.

ORDER DIRECTING INVESTIGATION
 AND DESIGNATING OFFICERS
 TO TAKE TESTIMONY

I

"Members of the staff of the Federal Reserve Bank of San Francisco have reported information to that Bank, which that Bank has transmitted to the Board, which tends to show that:

Duke Randall Motors, Inc. has made instalment sales of automobiles subject to Regulation W:

1. Without obtaining the down payment required by Regulation W;
2. Without maintaining and preserving such books of account, records and other papers as are relevant to establishing whether or not credit extended by it is in conformity with the requirements of said Regulation.

II

"The Board, having considered the aforesaid report by members of the staff of the Federal Reserve Bank of San Francisco, and for the purpose of (1) determining whether Duke Randall Motors, Inc. has violated the provisions of Regulation W and (2) aiding in the enforcement of said Regulation, deems it necessary and appropriate that an investigation be made to determine whether Duke Randall Motors, Inc. has engaged in the acts and practices set forth in paragraph I hereof, or any acts and practices of similar purport or object.

III

"IT IS ORDERED, pursuant to Section 604 of the Defense Production Act of 1950 that an investigation be made to determine the matters set forth in paragraph II hereof.

"IT IS FURTHER ORDERED, pursuant to the provisions of Section 604 of the Defense Production Act of 1950 that for the purpose of such investigation J. Leonard Townsend and John A. O'Kane, and each of them, is hereby designated an officer of the Board and empowered to administer oaths and affirmations, subpoena witnesses, compel their attendance, take evidence, and require the production of any books, papers, correspondence, memoranda, or other records deemed relevant or material to the inquiry, and to perform all other duties in connection therewith as authorized by law.

"By the Board.

(Signed) S. R. Carpenter,
 Secretary."

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"UNITED STATES OF AMERICA
BEFORE THE
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
At a meeting of the Board of Governors of the Federal
Reserve System held at its offices in the City of
Washington, D. C., on the 19th day of February, A. D.,
1951

In the Matter of
ROBERTS MOTOR COMPANY

ORDER DIRECTING INVESTI-
GATION AND DESIGNATING
OFFICERS TO TAKE TESTIMONY

I

"Members of the staff of the Federal Reserve Bank of St. Louis have reported information to that Bank, which that Bank has transmitted to the Board, which tends to show that:

- Roberts Motor Company has made instalment sales of automobiles subject to Regulation W:
1. Without obtaining the down payment required by Regulation W:
 2. Without maintaining and preserving such books of account, records and other papers as are relevant to establishing whether or not credit extended by it is in conformity with the requirements of said Regulation.

II

"The Board having considered the aforesaid report by members of the staff of the Federal Reserve Bank of St. Louis, and for the purpose of (1) determining whether Roberts Motor Company has violated the provisions of Regulation W and (2) aiding in the enforcement of said Regulation, deems it necessary and appropriate that an investigation be made to determine whether Roberts Motor Company has engaged in the acts and practices set forth in paragraph I hereof, or any acts and practices of similar purport or object.

III

"IT IS ORDERED, pursuant to Section 604 of the Defense Production Act of 1950 that an investigation be made to determine the matters set forth in paragraph II hereof.

"IT IS FURTHER ORDERED, pursuant to the provisions of Section 604 of the Defense Production Act of 1950 that for the purpose of such investigation G. Howland Chase and Harold B. Kline, and each of them, is hereby designated

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"an officer of the Board and empowered to administer oaths and affirmations, subpoena witnesses, compel their attendance, take evidence, and require the production of any books, papers, correspondence, memoranda, or other records deemed relevant or material to the inquiry, and to perform all other duties in connection therewith as authorized by law.

"By the Board.

(Signed) S. R. Carpenter,
Secretary."

"UNITED STATES OF AMERICA
BEFORE THE

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

At a meeting of the Board of Governors of the Federal Reserve System held at its offices in the City of Washington, D. C., on the 19th day of February, A. D., 1951.

In the Matter of
NORM BIRKHEAD AUTO SALES

ORDER DIRECTING INVESTIGATION AND DESIGNATING OFFICERS TO TAKE TESTIMONY

I

"Members of the staff of the Federal Reserve Bank of St. Louis have reported information to that Bank, which that Bank has transmitted to the Board, which tends to show that:

Norm Birkhead Auto Sales has made instalment sales of automobiles subject to Regulation W:

1. Without obtaining the down payment required by Regulation W:
2. Without maintaining and preserving such books of account, records and other papers as are relevant to establishing whether or not credit extended by it is in conformity with the requirements of said Regulation.

II

"The Board having considered the aforesaid report by members of the staff of the Federal Reserve Bank of St. Louis, and for the purpose of (1) determining whether Norm Birkhead Auto Sales has violated the provisions of Regulation W and (2) aiding in the enforcement of said Regulation, deems it necessary and appropriate that an investigation be made to determine whether Norm Birkhead

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"Auto Sales has engaged in the acts and practices set forth in paragraph I hereof, or any acts and practices of similar purport or object.

III

"IT IS ORDERED, pursuant to Section 604 of the Defense Production Act of 1950 that an investigation be made to determine the matters set forth in paragraph II hereof.

"IT IS FURTHER ORDERED, pursuant to the provisions of Section 604 of the Defense Production Act of 1950 that for the purpose of such investigation G. Howland Chase and Harold B. Kline, and each of them, is hereby designated an officer of the Board and empowered to administer oaths and affirmations, subpoena witnesses, compel their attendance, take evidence, and require the production of any books, papers, correspondence, memoranda, or other records deemed relevant or material to the inquiry, and to perform all other duties in connection therewith as authorized by law.

"By the Board.

(Signed) S. R. Carpenter,
Secretary."

At this point all of the members of the staff with the exception of Messrs. Sherman and Kenyon withdrew, and the action stated with respect to each of the matters hereinafter referred to was taken by the Board:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, February 16, 1951, were approved unanimously.

Memorandum dated February 13, 1951, from Mr. Young, Director of the Division of Research and Statistics, recommending an increase in the basic salary of Mrs. Patricia V. Johnson, Secretary to Mr. Williams, in that Division, from \$3,195 to \$3,350 per annum, effective March 4, 1951.

Approved unanimously.

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Memorandum dated February 14, 1951, from Mr. Young, Director of the Division of Research and Statistics, recommending an increase in the basic salary of Bernard N. Freedman, an economist in that Division, from \$4,850 to \$5,100 per annum, effective March 4, 1951.

Approved unanimously.

Memorandum dated February 16, 1951, from Mr. Hilkert, Acting Director of the Division of Personnel Administration, recommending the appointment of Mrs. Elsie May Hart as substitute maid in that Division, on a temporary indefinite basis, with basic salary at the rate of \$8.40 per day for each day worked, effective as of the date upon which she enters upon the performance of her duties after having passed the usual physical examination and subject to the completion of a satisfactory employment investigation.

Approved unanimously.

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

"In order to afford greater protection through decentralization, suggestion has been made that stocks of unissued Federal Reserve notes in the 5 - 50 dollar denominations on hand in Comptroller's office be requisitioned for shipment to Federal Reserve Banks and Branches and that consideration be given to desirability of requisitioning larger denomination notes, especially 100's. Thereafter, notes would be requisitioned by agents daily upon advice from us with respect to deliveries by Bureau. In making initial requisitions, as well as subsequent ones, careful consideration should be given to the needs of your branches, if any, to avoid in so far as possible, additional shipping expenses that

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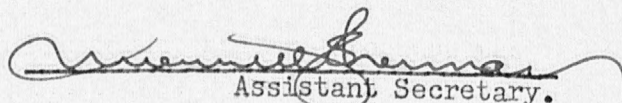
"would be incurred in making inter-office shipments. Mr. Rounds, Coordinator of the System's defense planning, feels the above-mentioned suggestion has merit and should be adopted at this time. Accordingly, if you concur, please forward requisitions for shipment of such notes now desired, using February 15 statement as a base, and arrangement will be placed into effect. A copy of this telegram is being sent to each Reserve Bank President for his information."

Approved unanimously.

Telegram to American Auto Appraisal, 194 Grove Avenue, Detroit 3, Michigan, reading as follows:

"The Board would appreciate notification of your intention as to date of inclusion of retail values for all 1951 used car models in your appraisal guides and whether you plan to continue thereafter to report values for 1941 models. The Board is interested in having retail values for 1951 used models included as soon as possible. Please wire answer at your earliest convenience."

Approved unanimously together with identical telegrams to ten other publishers of automobile appraisal guides.


Assistant Secretary.