Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, March 19, 1951.

PRESENT: Mr. McCabe, Chairman
Mr. Szymczak
Mr. Vardaman
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 March 16, 1951, were approved unanimously.

Memorandum dated March 14, 1951, from Mr. Young, Director of the Division of Research and Statistics, recommending increases in the basic annual salaries of the following employees in that Division, effective April 1, 1951:

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>From</th>
<th>To</th>
</tr>
</thead>
<tbody>
<tr>
<td>Winofred J. Racz</td>
<td>Clerk</td>
<td>$3,350</td>
<td>$3,475</td>
</tr>
<tr>
<td>Rose Cornish</td>
<td>Clerk-Typist</td>
<td>2,770</td>
<td>2,850</td>
</tr>
<tr>
<td>Nancy W. Ware</td>
<td>Clerk-Typist</td>
<td>2,610</td>
<td>2,690</td>
</tr>
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Approved unanimously.

Memorandum dated March 12, 1951, from Mr. Vest, General Counsel, stating that Miss Sara A. Dyer, a clerk-stenographer in the Legal Division, has submitted her application for retirement at the close of this month.

Noted.

Letter to Mr. Whittier, Chairman of the Federal Reserve Bank of Philadelphia, reading as follows:
"This refers to your letter of January 11, 1951 encasing three copies of an agreement covering special retirement payments to President Williams duly executed by you and President Williams, 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 your 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 January 11, 1951. 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. Williams."

Approved unanimously.

Letter to Mr. Denmark, Vice President of the Federal Reserve Bank of Atlanta, reading as follows:

"In accordance with the request contained in your letter of March 13, 1951, the Board approves the designation of Mr. T. H. Mobley as a special examiner for the Federal Reserve Bank of Atlanta."

Approved unanimously.

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

"This refers to Mr. Crosse's letter of March 1, 1951, transmitting a letter dated February 23, 1951, addressed to the Board by The Chase National Bank of the City of New York, describing plans to open a Sub-Office of its Stuttgart, Germany, branch in the Flak-Kaserne in Ludwigsburg, Germany."
"It is noted that the military authorities in Germany have requested the establishment of such Sub-Office to provide facilities for the United States military and civilian personnel in the Flak-Kaserne in Ludwigsburg, Germany; that such Sub-Office will be merely a subsidiary operation of the Stuttgart Branch to discharge its functions to the personnel served; that the only transactions at the Sub-Office will relate to accounts which are already on the books of the Stuttgart Branch; that no accounts will be carried and no loans made at such Sub-Office, and deposits received there will be only for regular delivery to the Stuttgart Branch; and the principal activity at such Sub-Office will be the encashment of checks and like instruments. As stated in Mr. Crosse's letter, the proposal appears to be similar to two Sub-Offices previously established in Germany by The Chase National Bank, to which the Board interposed no objection.

"Without indicating any opinion as to whether the establishment of the Sub-Office referred to above constitutes the establishment of a branch requiring the Board's permission, the Board will interpose no objection at this time to the establishment and operation of the Sub-Office. If, however, it should appear that such Sub-Office is to be a permanent office or its operations should be extended beyond those stated in the letter of The Chase National Bank of February 23, 1951, the Board would wish to give the matter further consideration.

"It is suggested that your Bank advise The Chase National Bank of the Board's views in this matter and request The Chase National Bank to keep you informed with regard to the operations of the Sub-Office."

Approved unanimously.

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

"Reference is made to your letter of February 26, 1951, submitting the application of the State Bank of Nappanee, Nappanee, 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 State Bank of Nappanee, Nappanee, Indiana, of the Board's action."

Approved unanimously.

Letter for the signature of the Chairman, to Honorable John Sparkman, Chairman, Select Committee on Small Business, United States Senate, Washington, D. C., reading as follows:

"With your letter of March 10 you enclosed a copy of a petition referred to your Committee by Senator James O. Eastland and signed by citizens of Jackson, Mississippi, requesting some relief from the provision of Regulation W -- Consumer Credit prohibiting the acceptance of a trade-in as part or all of the required down payment in connection with the installment sale of appliances. The petition describes the provision as unfair because the regulation permits a trade-in to be used as part or all of a down payment in connection with the installment sale of automobiles.

"As you know the present requirements of the regulation in this respect have not been changed since the regulation of consumer credit was first promulgated by the Board in 1941. For reasons that have seemed to the Board to be compelling, the approach to the regulation of automobile installment credit has been and is different from the approach in the appliance and furniture area.

"In the case of automobiles the regulation depends to a greater extent on the maximum maturity requirement for its restrictive effect than it does in the case of other consumer durable goods. This is regarded as a more realistic approach because traditionally the large majority of automobile sales involves the trading-in of the purchaser's old automobile; in many cases the
"value assigned to this trade-in represents as much as 50 per cent of the price of the new automobile being purchased. In the case of appliances and other listed articles the regulation has depended on its down payment requirement for the greater part of its restrictive effect. This approach also seems to be the realistic one because the large majority of appliances and furniture sales is made without trade-ins; in the minority where trade-ins are involved the value assigned to them is very often a token allowance. You will appreciate that in many cases the trade-in allowance in connection with an appliance sale is in fact a trade discount and adopting the automobile trade-in ruling for all appliances would tend to nullify the down payment requirement of the regulation in the appliance field.

"The petition implies that the present requirements of Regulation W are likely to force 'Neill Bros.... a small independent appliance dealer' out of business. Although the Board is very much interested that the provisions of Regulation W not be unduly restrictive in individual cases it must also consider that the regulation must strongly curb instalment credit as a whole if it is to accomplish its purpose of helping to restrain the serious inflationary forces in the present emergency period. The present terms of the regulation are, of course, far from a prohibition of instalment credit.

"In this connection and as a matter of interest there is enclosed a copy of a letter dated November 27, 1950, on this same subject sent by the Board to another Senator. The Board's staff is following closely the effect of Regulation W not only on instalment credit outstanding but on dealers and purchasers subject to its provisions.

"We are glad to have received the views of the Jackson, Mississippi, citizens and I appreciate your interest in referring the petition to us."

Approved unanimously.

Memorandum dated March 13, 1951, from Mr. Sherman, Assistant Secretary of the Board, recommending the destruction by incineration of the material listed on an attachment to the memorandum.

Approved unanimously.

Secretary.