

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, March 29, 1951. The Board met in the Board Room at 10:45 a.m.

PRESENT: Mr. McCabe, Chairman
Mr. Szymczak
Mr. Evans
Mr. Vardaman
Mr. Norton

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Riefler, Assistant to the Chairman
Mr. Thomas, Economic Adviser to the Board
Mr. Townsend, Solicitor
Mr. Young, Director, Division of Research and Statistics
Mr. Hilkert, Acting Director, Division of Personnel Administration
Mr. Noyes, Director, Division of Selective Credit Regulation
Mr. Solomon, Assistant General Counsel

Mr. Evans presented a tentative agenda for a conference of Chairmen of the Federal Reserve Banks to be held in Washington on May 7 and 8, 1951, stating that it was contemplated that the conference would be similar to those held in Washington once each year during the past few years, and that some of the Chairmen had indicated they might be accompanied by the deputy chairman of their Banks. He recommended that the Board approve the draft of agenda with the understanding that such changes would be made as were necessary if it were found that some of the proposed speakers were not able to participate.

Following a discussion, upon motion by Mr. Evans, the agenda was approved unanimously with the understanding that the Board would pay the costs of the conference not covered by travel expenses of those attending.

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There was presented a memorandum from Mr. Norton dated March 29, 1951 submitting a proposed amendment to Regulation X, Real Estate Credit, to provide under subsection (g) of section 6 for an exemption of credit extended by State or political subdivisions of a State, or agencies of either, with respect to any nonresidential property. Mr. Norton stated that the amendment had been under consideration particularly because of a situation in Baltimore where, under a program authorized in 1948, the city advanced approximately 85 percent of the funds for construction of garage projects to provide off-street parking, that some members of the staff were opposed to such an amendment while others felt it should be adopted, and that he was inclined to favor the amendment because the Regulation was not enforceable as against States or municipalities in any event and an amendment which would be limited in its effect to the Baltimore project would not be wholly equitable with respect to somewhat similar situations that might exist in other States and municipalities.

Following a discussion, upon motion by Mr. Norton, unanimous approval was given to Amendment No. 3 to Regulation X, Real Estate Credit, to become effective April 4, 1951, if Mr. Foley, Administrator of the Housing and Home Finance Agency, concurred in the amendment and the proposed effective date:

"1. In subsection (g) of section 6, change the title to 'State and Municipal Programs', and add at the end thereof the following new sentence: 'Nothing in this regulation shall apply to extensions of credit by any State or political subdivision of a State or agencies of either with respect to any nonresidential property.'"

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Secretary's Note: A letter was received from Mr. Foley, dated March 29, 1951, stating that he concurred in the amendment and the effective date.

It was also agreed unanimously that a press release should be issued in a form satisfactory to Mr. Norton and that the amendment and the press release should be sent by telegram to all Federal Reserve Banks and Branches with a request that they print the amendment and give it the customary distribution.

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

"(a) The above amendment is issued by the Board of Governors of the Federal Reserve System under authority of the 'Defense Production Act of 1950', approved September 8, 1950, and Executive Order No. 10161, dated September 9, 1950.

"The purpose of this amendment is to exempt from the regulation extensions of credit by States and municipalities in connection with the financing of nonresidential construction.

"(b) Section 709 of the Defense Production Act of 1950 provides that the functions exercised under such act shall be excluded from the operations of the Administrative Procedure Act except as to the requirements of section 3 thereof.

"Special circumstances have rendered impracticable consultation with industry representatives, including trade association representatives, in the formulation of the above amendments; and, therefore, as authorized by the aforesaid section 709, the amendments have been issued without such consultation."

Before this meeting, there had been circulated among the members of the Board a memorandum dated March 28, 1951, transmitting

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a memorandum from Messrs. Young, Noyes, and Vest recommending that the Board issue a public announcement pursuant to section 3(c) of Regulation X that every person engaged in the business of extending real estate credit with respect to residences, residential property, multi-unit residential property, or nonresidential property would be required to file a registration statement. The memorandum also transmitted a form of registration statement which it was proposed to adopt.

Mr. Young stated that the registration statement had been studied a great deal since the Regulation was first adopted, that drafts of a proposed statement had been sent to all Federal Reserve Banks for comment, that while at first most of the Reserve Banks did not favor the use of a registration statement, there were now several which felt that such a statement in a simplified form would be desirable, and that most of them agreed that if a registration statement were to be required the one proposed would be satisfactory. In response to a question from Chairman McCabe, Mr. Young stated that a portion of the trade, including insurance companies, now endorsed the use of a registration statement in the form proposed. He also said that the proposed form was consistent with the consensus of the Conference of Presidents on March 7-8, 1951, that a registration statement would not be desirable as a means of gathering statistical information, and that the information asked for in the draft now proposed was in the nature of identification of the registrant, his size, and his kind of business. He added

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that it was felt that the information called for was available without undue burden on the great bulk of registrants.

Thereupon, upon motion by Mr. Norton, unanimous approval was given to the recommendation contained in the above mentioned memorandum dated March 28, 1951, with the understanding that a public announcement in a form satisfactory to Mr. Norton would be made.

Mr. Vardaman withdrew from the meeting at this point.

Mr. Norton stated that a letter had been received from Mr. Foley, Administrator of the Housing and Home Finance Agency, dated March 29, 1951, advising that the Housing and Home Finance Agency had made a survey of the need for housing in the towns adjacent to the atomic energy installation in Idaho and that, as a result, it had concluded that there was an urgent need for approximately 500 units to be distributed among the towns of Arco, Blackfoot, and Idaho Falls, all of which were within commuting distance of the atomic energy plant. Mr. Foley's letter, Mr. Norton said, expressed the view that the terms of Regulation X should be relaxed to permit construction of the units in question in the areas specified along the same lines as the recent exemption for the Atomic Energy Commission installations in South Carolina and in Kentucky. His letter also stated that the Defense Production Administration had certified that the area in Idaho was a defense area for purposes of special assistance.

Mr. Norton stated that he felt the exemption requested by Mr. Foley should be granted.

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Thereupon, upon motion by Mr. Norton, unanimous approval was given to a letter to Mr. Foley, Housing and Home Finance Administrator, reading as follows:

"This is to advise you that the Board of Governors concurs in the defense area designations with respect to Arco, Blackfoot and Idaho Falls, Idaho, outlined in your letter of March 29, 1951.

"At the same time the Board authorized a relaxation of Regulation X identical with that recently announced for the AEC installations in South Carolina and Kentucky."

Mr. Evans stated that he would receive the briefs and requested findings from the attorneys for the Board and for Transamerica Corporation in the Clayton Act proceeding against Transamerica Corporation on Monday, April 2, 1951, and that he would proceed to study them with a view to submitting his finding to the Board as promptly as possible after April 23, 1951, which was the last day on which attorneys for the Board and the respondent were authorized to submit to the Hearing Officer comments on the brief and findings requested by opposing counsel. In order that he might have available the advice of an attorney who was expert in administrative proceedings as well as the services of a trained legal stenographer in connection with the preparation of his report and recommended decision as hearing officer, Mr. Evans recommended that he be authorized to arrange for such advice on a retainer or fee basis with the understanding that the cost to the Board, which would not exceed \$3,000, would be paid upon submission of proper vouchers which would be approved by Mr. Evans, and that the appropriate item in the 1951 Budget of the Board Members would be increased to cover the cost.

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Upon motion by Mr. Evans, the foregoing recommendation was approved unanimously, with the understanding that the appropriate item in the 1951 Budget of the Board Members would be increased to cover the cost.

Mr. Norton stated that he was still very much concerned about the large number of housing starts currently reported, that he had talked again with Mr. Foley, Administrator of the Housing and Home Finance Agency, regarding the possibility of tightening Regulation X, that Mr. Foley had advised that his staff was making a study of the matter and hoped to have more information available next week, and that he (Mr. Norton) hoped to be able to report something further to the Board shortly concerning Mr. Foley's views.

At this point Mr. Vardaman returned to the meeting and all of the members of the staff withdrew with the exception of Messrs. Carpenter and Hilkert.

There was presented a memorandum dated March 22, 1951, from Mr. Noyes, Director of the Division of Selective Credit Regulation, recommending that effective April 1, 1951, Mr. Clarke L. Fauver, Administrative Assistant to the Chairman, be transferred to the Division of Selective Credit Regulation with the temporary designation of Assistant without change in his salary at the rate of \$9,000 per annum. The memorandum also proposed that when Mr. E. A. Heath, Acting Assistant Director of the Division, returned to the Federal Reserve Bank of Chicago not later than July 1, 1951, Mr. Fauver be appointed Assistant Director of the

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Division and at that time his salary be fixed at \$10,000 per annum. It was understood that Mr. Fauver would work on Regulation W matters in the Division.

The memorandum, which stated that the appointment had the concurrence of Mr. Evans, whose assignments include consumer credit regulation, and Mr. Norton as alternate, had been circulated among the members of the Board and Mr. Vardaman had raised a question as to Mr. Fauver's qualifications for the position. At this meeting Mr. Fauver's qualifications were thoroughly reviewed including his education as an economist and as a lawyer, his experience in the Federal Housing organizations, and his work on consumer credit in the Division of Research and Statistics and in the period he had served as Administrative Assistant to the Chairman.

Chairman McCabe stated that he had had nothing to do with the recommended appointment, that as he understood it some months ago Mr. Phelan, Acting Director of the Division, proposed that Mr. Fauver be made Assistant Director, and when it was learned that he (Chairman McCabe) was resigning the suggestion had been renewed by Mr. Noyes. It was also brought out that both Mr. Lewis, Assistant Vice President of the Federal Reserve Bank of St. Louis who had served on the Board's Regulation W staff, and Mr. Heath, as far back as 1948 had suggested that Mr. Fauver be brought into the administrative work on consumer credit.

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During the course of the discussion, Mr. Vardaman stated that he was entirely willing to approve the transfer of Mr. Fauver with salary at the rate of \$9,000 but he questioned the desirability of making a commitment as to his appointment as Assistant Director at a higher salary in advance and whether a salary of \$10,000 for Mr. Fauver as Assistant Director of the Division was justified, and that in the circumstances he would like to have the matter brought to the Board's attention again before the appointment of Mr. Fauver as Assistant Director became effective.

At the conclusion of the discussion it was voted unanimously to approve the transfer of Mr. Fauver to the Division of Selective Credit Regulation as an Assistant, effective April 1, 1951, with no change in his present salary at the rate of \$9,000 per annum and his appointment as Assistant Director of the Division effective July 1, 1951, or on such earlier date as Mr. Heath returns to the Federal Reserve Bank of Chicago, with salary at the rate of \$10,000 per annum, it being understood that, as requested by Mr. Vardaman, before the appointment as Assistant Director became effective the matter would be brought to the attention of the Board again. Mr. Vardaman stated that in voting to approve the action he did so with that understanding.

At this point Mr. Vardaman withdrew from the meeting.

Mr. Szymczak suggested that, since this would be the last meeting of the Board at which Mr. McCabe would be in attendance, the Secretary be requested to record in the minutes the appreciation of the other members of the Board for the untiring and effective service which the

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Chairman had given during the almost three years he had been in office and for the outstanding contribution he had made to the continued development of the Federal Reserve System, and their thanks for a most pleasant association as colleagues in the discharge of a responsibility in which cooperation among the members of the Board was a most important element of effective performance.

Mr. Norton and Mr. Evans concurred in Mr. Szymczak's suggestion.

At this point Mr. Hilkert 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 March 28, 1951, were approved unanimously.

Memoranda from Mr. Noyes, Director of the Division of Selective Credit Regulation, recommending increases in the basic annual salaries of the following employees in that Division, effective April 1, 1951:

<u>Date of Memo and Name</u>	<u>Title</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
3/19/51 Mrs. Ruth D. Stone	Secretary to Mr. Noyes	\$3,725	\$3,950
3/20/51 Miss Marjorie Eaton	Secretary to Mr. Heath	3,275	3,475

Approved unanimously.

Memorandum dated March 27, 1951, from Mr. Leonard, Director of the Division of Bank Operations, recommending that John Kakalec, an accounting clerk in the Division of Administrative Services, be transferred

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to the Division of Bank Operations as an analyst, on a non-permanent basis, with an increase in salary from \$3,575 to \$3,700 per annum, effective as of the date he reports for duty in the Division. The memorandum also stated that the Division of Administrative Services was agreeable to this transfer.

Approved unanimously.

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

"The Board regrets that it has been unable to complete in advance of April 1 the review of the salaries of the officers of the Federal Reserve Bank of New York. There are several cases which presently can not be acted upon with assurance because of wage stabilization difficulties. It is felt, however, that the delay will be a short one, probably a week or two.

"When the situation is resolved, the adjustments will be authorized retroactively to April 1, 1951. Meanwhile, the Board authorizes the payment of official salaries at the current rates from April 1, 1951, until the adjustments which are to be made are approved by the Board of Governors."

Approved unanimously, together with a similar letter to Mr. Young, President of the Federal Reserve Bank of Chicago.

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

"This is to acknowledge receipt of your letter of March 21 to Governor Szymczak discussing your Bank's plans for trips abroad by members of your staff during 1951.

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"We note that the plans include a trip by Mr. Horace L. Sanford, Assistant Vice President, to England and France and perhaps Spain, taking approximately two months; also visits by two groups of two men each to the Bank of Canada; also attendance by Mr. Walter H. Rozell, Jr., Manager, Foreign Department, and a member of the Foreign Research Division of your Research Department, at the Third Conference of Experts of the Central Banks of the American Continent, to be held at Havana in late 1951 or early 1952. The Board has no objection to the proposed program.

"The Board is glad to learn that it may be possible for you to make the trip to Europe later this year which you were forced to cancel in 1950 due to the illness of Mr. Rounds. We should appreciate being advised when your plans have become more definite."

Approved unanimously.

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

"Reference is made to your letter of March 21, 1951, requesting that Mr. George H. Pipkin, Vice President in charge of the Denver Branch, and Mr. John Phillips, Jr., Vice President at the Head Office, be retained in active service through June 30, 1952.

"For the reasons outlined in your letter the Board of Governors approves the payment of salary to Mr. Pipkin at the rate of \$13,000 per annum for the period May 1, 1951, through June 30, 1952, or at such other rate as may subsequently be fixed by the directors and approved by the Board of Governors.

"The Board of Governors also approves the payment of salary to Mr. Phillips at the rate of \$11,000 per annum for the period June 1, 1951, through June 30, 1952, or at such other rate as may subsequently be fixed by the directors and approved by the Board of Governors."

Approved unanimously.

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Letter to Honorable E. H. Foley, Acting Secretary of the Treasury, Treasury Department, Washington, D. C., reading as follows:

"Reference is made to your letter of March 20, 1951, to Chairman McCabe, advising of a plan to remove to the United States Bullion Depository at Fort Knox, Kentucky certain dies, rolls, and plates used in connection with the production of Federal Reserve and other currency. You indicated that it is proposed to designate a committee to be charged with the responsibility of checking the engraved pieces into the boxes, certifying that each piece is correctly listed and witnessing the sealing of the containers; and stated that you would be pleased to have the Board name a representative to serve on the committee.

"This is to advise that Mr. Charles H. Bartz, Federal Reserve Examiner, has been designated to serve as the Board's representative on the proposed committee. It is assumed that further advice will be received from your office as to when Mr. Bartz's services are required."

Approved unanimously.

Letter to Mr. Walter E. Spahr, Executive Vice President and Treasurer, Economists' National Committee on Monetary Policy, One Madison Avenue, New York 10, New York, reading as follows:

"Chairman McCabe has asked that I reply to your letter to him of March 14, 1951, with which was enclosed a reprint of your article which appeared in the September 18, 1947 issue of The Commercial and Financial Chronicle.

"The action taken by the Board with regard to interest charges on Federal Reserve notes was carefully considered and approved by counsel and is explained in the press release of April 23, 1947, with which you indicate you are already familiar. In the Board's opinion there was full justification and authority for the action which was taken. We are, however, glad to have your viewpoint on this important matter."

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Approved unanimously.

Secretary of the

Board of Directors of the Federal Reserve Bank of St. Louis

- Mr. [Name], Chairman
- Mr. [Name]
- Mr. [Name]
- Mr. [Name]
- Mr. [Name]
- Mr. [Name]

[Handwritten Signature]
 Secretary.

Mr. [Name], Secretary
 Mr. [Name], Chairman, Associate Secretary
 Mr. [Name], Deputy, Assistant Secretary

Minutes of a meeting of the Board of Directors of the Federal Reserve Bank of St. Louis, held on March 27, 1951, were approved unanimously.

Following is the report of the Board of Directors of the Federal Reserve Bank of St. Louis, dated March 27, 1951, and the Board's action thereon. The Board approved the establishment of a branch office of the Federal Reserve Bank of St. Louis at [Location] on March 27, 1951, and the Federal Reserve Bank of St. Louis on March 27, 1951, and of the Federal Reserve Bank of Chicago and Kansas City on March 27, 1951, of the [Location] and [Location] on March 27, 1951.

Approved unanimously.

Respectfully,
 [Name], Secretary

Approved March 28, 1951, from Mr. [Name], Assistant Secretary, Division of Administration, Board of Directors of the Federal Reserve Bank of St. Louis, and following employees in that Division, [List of Names]