

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, April 26, 1951. The Board met in Conference Room 1202 at 10:05 a.m.

PRESENT: Mr. Martin, Chairman  
Mr. Szymczak  
Mr. Evans  
Mr. Norton

Mr. Carpenter, Secretary  
Mr. Sherman, Assistant Secretary  
Mr. Kenyon, Assistant Secretary  
Mr. Riefler, Assistant to the Chairman  
Mr. Thomas, Economic Adviser to the Board  
Mr. Leonard, Director, Division of  
Bank Operations  
Mr. Vest, General Counsel  
Mr. Williams, Assistant Director,  
Division of Research and Statistics  
Mr. Koch, Chief, Banking Section,  
Division of Research and Statistics  
Mr. Youngdahl, Chief, Government Finance  
Section, Division of Research and  
Statistics  
Mr. Leach, Economist, Division of  
Research and Statistics  
Mrs. McCloud, Economist, Division of  
Research and Statistics

Messrs. George C. Haas, Director of the Technical Staff, Department of the Treasury, Robert P. Mayo and Sidney G. Tickton, Assistant Directors of the Technical Staff, Department of the Treasury, and Robert G. Rouse, Manager of the System Open Market Account, also were present.

Messrs. Mayo and Tickton presented and commented on a series of slides relative to the fiscal position of the Government at the present time and projected through the fiscal year 1952, on the

4/26/51

-2-

basis of current estimates of the Treasury Department. This presentation was followed by a general discussion.

At this point Mr. Solomon, Assistant General Counsel, joined the meeting, and Messrs. Haas, Mayo, Tickton, Rouse, and Leach, and Mrs. McCloud withdrew.

Before the meeting there were sent to the members of the Board copies of a proposed revised draft of an interim report of the inter-agency Committee of Four appointed by the President on February 26, 1951, to study ways and means to provide the necessary restraint on private credit expansion and at the same time to make it possible to maintain stability in the market for Government securities. This draft incorporated revisions suggested by the Board's staff to the draft of April 13, 1951, sent by the Chairman of the Committee of Four to the members thereof for study and discussion.

Chairman Martin said that there would be a meeting of the President's Committee on May 9 to discuss the report, and that he would like the members of the Board to study the draft carefully prior to further discussion at a Board meeting next week.

Chairman Martin went on to say that legislation extending the Defense Production Act of 1950 through June 30, 1953, was being sent to the Congress today and that he understood this legislation would contain no reference to increased authority over bank reserves,

4/26/51

-3-

although the accompanying message from the President might make some mention of this matter. It was understood that the staff would prepare a draft of statement for the use of the Chairman when called upon to testify at hearings on the extension of the Defense Production Act, and that the draft would be submitted to the members of the Board prior to consideration at a meeting.

At this point all of the members of the staff with the exception of Messrs. Carpenter, 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 April 25, 1951, were approved unanimously.

Memorandum dated April 3, 1951, from Mr. Young, Director of the Division of Research and Statistics, recommending an increase in the basic salary of Mrs. Sylvia L. Edelson, an economist in that Division, from \$4,075 to \$4,600 per annum, effective April 29, 1951.

Approved unanimously.

Memorandum dated April 23, 1951, from Mr. Carpenter, Secretary of the Board, recommending that Mrs. Ruth Hadley Goodyear, a stenographer in the Division of Administrative Services, be transferred to the Office of the Secretary as Secretary to Mr. Murff, with an increase in her present salary from \$2,875 to \$3,100 per annum, effective as of the date she reports for duty in the Office of the Secretary,

4/26/51

-4-

the transfer to be made on a non-permanent basis, in accordance with the Board's action of December 29, 1950. The memorandum also stated that the Division of Administrative Services was agreeable to this transfer.

Approved unanimously.

Memorandum dated April 23, 1951, from Mr. Carpenter, Secretary of the Board, recommending that the resignation of Mrs. Ella D. Whitaker, a file clerk in the Office of the Secretary, be accepted to be effective, in accordance with her request, at the close of business April 27, 1951.

Approved unanimously.

Memorandum dated April 24, 1951, from Mr. Williams, Assistant Director of the Division of Research and Statistics, recommending that the resignation of Mrs. Genevieve G. Duarte, a clerk in that Division, be accepted to be effective, in accordance with her request, at the close of business May 4, 1951.

Approved unanimously.

Memorandum dated April 18, 1951, from Mr. Dembitz, Assistant Director of the Division of International Finance, recommending the appointment of John Henry Power as an economist in that Division, on a temporary indefinite basis, with basic salary at the rate of \$4,975 per annum, effective as of the date upon which he enters upon the performance of his duties after having passed the usual physical

4/26/51

-5-

examination and subject to the completion of a satisfactory employment investigation.

Approved unanimously.

Memorandum dated April 19, 1951, from Mr. Young, Director of the Division of Research and Statistics, recommending the appointment of Helmut F. Wendel as an economist in that Division, on a temporary indefinite basis, with basic salary at the rate of \$3,825 per annum, effective as of the date upon which he enters upon the performance of his duties after having passed the usual physical examination and subject to the completion of a satisfactory employment investigation.

Approved unanimously.

Letter to Mr. Swan, Assistant Vice President of the Federal Reserve Bank of San Francisco, reading as follows:

"This refers to your letter of April 11, 1951, and enclosures relating to proposed financing and sales plans of B. E. Turner, Inc., Arcadia, California. For your information, we are enclosing copies of letters dated April 3 and April 9, 1951, from Mr. Turner to Representative Patrick J. Hillings of California, which were sent to the Board for consideration, and a copy of the Board's reply to Representative Hillings. Additional copies are enclosed for the information of your Los Angeles Branch.

"You will note that in his April 9 letter to Representative Hillings, Mr. Turner stated that his original proposal as outlined in his letter of February 15 is becoming of little importance. For that reason we are confining our comments to the proposal enclosed with his April 3 letter to your Los Angeles Branch.

4/26/51

-6-

"The details and facts regarding the April 3 proposal are not sufficient for any definitive answer to the questions raised by him. For example, it would be necessary to know the option price and other terms and conditions in the lease, the rent to be paid under the lease, whether or not a deposit was made on the lease, the amount thereof if made, whether the purchaser of the leasehold interest would pay such a deposit if made, and other details similar to those outlined in Mr. Turner's proposal of February 15.

"We would appreciate it if you would develop these facts and reply to Mr. Turner if possible to do so after consideration of such facts. As you know, the Board presently is considering possible amendments to Regulation X with regard to various leasing arrangements, and your reply should be in accordance with any such amendment, should it be received prior to answering Mr. Turner. However, it is most unlikely that any such amendment would exempt from the regulation leasing arrangements such as those contemplated by Mr. Turner.

"As we stated, it is impossible to give any definitive answer in this particular case in the absence of more facts, and we would be extremely cautious in considering such cases for approval. Moreover, in considering this case, we would be inclined to the view that such a lease with an option to buy is an extension of credit. In addition, it seems likely that the 'value' of the property would include the amount of the option price in the lease and the amount of the purchase price of the leasehold interest; the maximum loan value would be calculated on the basis of this 'value'; the option price in the lease would be treated as outstanding credit in computing the additional credit that could be extended; the total nonborrowed funds advanced by the ultimate purchaser of the leasehold interest must at least equal the down payment requirements of the regulation calculated on the 'value' of the property; and the payments must be such as would liquidate the principal amount of the outstanding credit not later than the applicable maturity, in accordance with the applicable amortization provisions.

4/26/51

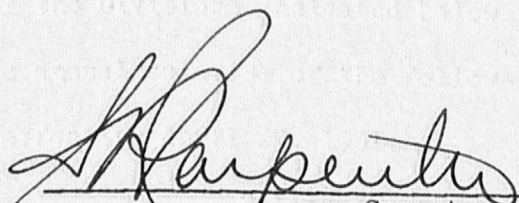
-7-

"We hope that this will be sufficient to enable you to answer Mr. Turner's questions in the light of the additional facts to be developed, and we would appreciate information as to the ultimate disposal of the inquiry."

Approved unanimously.

Memorandum dated April 24, 1951, from Mr. Hilkert, Acting Director of the Division of Personnel Administration, recommending that the Federal Reserve Bank of Chicago be advised that the Board has no objection to the Reserve Bank's making the services of Allan M. Black, Vice President, available from time to time to serve as consultant to the General Accounting Office and that, if such an arrangement is made, the Board has no objection to Mr. Black's being permitted to retain the consultant fees for the days served in that capacity while on vacation or annual leave.

Approved unanimously.

  
Secretary.