

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, April 30, 1951.

PRESENT: Mr. Martin, Chairman  
 Mr. Szymczak  
 Mr. Evans  
 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 April 26, 1951, were approved unanimously.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on April 27, 1951, were approved and the actions recorded therein were ratified unanimously.

Memorandum dated April 26, 1951, from Mr. Bethea, Director of the Division of Administrative Services, recommending that the resignation of Vincent T. LaTorre, Operator, Tabulation Equipment, in that Division, be accepted to be effective, in accordance with his request, at the close of business May 11, 1951.

Approved unanimously.

Letter to Mr. Neely, Federal Reserve Agent of the Federal Reserve Bank of Atlanta, reading as follows:

"In accordance with the request contained in your letter of April 25, 1951, the Board of Governors approves, effective May 1, 1951, the payment of salary to Mr. Hugh Moreland, Jr. as Federal Reserve Agent's Representative, Birmingham Branch, at the rate of \$4,824 per annum."

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Letter to Mr. J. L. Robertson, Deputy Comptroller of the Currency, Washington 25, D. C., reading as follows:

"This is in response to your letter of March 16, 1951, regarding the following questions involving the execution of acceptances by foreign branches of national banks:

'(1) May a foreign branch of a national bank established under Section 25 of the Federal Reserve Act (12 U.S.C. 601) legally execute acceptances that do not conform as to purpose with the provisions of Paragraphs 7 and 12 of Section 13 of the Federal Reserve Act?

'(2) May foreign branches of national banks accept drafts or bills of exchange in excess of the limitations prescribed by Paragraphs 7 and 12 of Section 13 of the Federal Reserve Act?'

"For the purpose of furthering the foreign commerce of the United States, section 25 of the Federal Reserve Act, as amended, authorizes national banks to establish foreign branches on such conditions and under such regulations as may be prescribed by the Board of Governors. However, that section does not purport to confer upon such foreign branches powers not possessed by the establishing national banks. Such branches, of course, are not separate legal entities, but are an integral part of their parent banks; and obviously the weakness or strength of the parent banks will be reflected in part by the stability of their foreign branches. Consequently, it is not believed that Congress intended by section 25 of the Federal Reserve Act to relieve such foreign branches from compliance with statutory requirements designed to provide for the sound operation of national banks, such as limitations upon the loans and investments which may be made by such banks. Moreover, such acceptance powers as are possessed by foreign branches of national banks are derived from the provisions of paragraphs 7 and 12 of section 13 of the Federal Reserve Act.

"It is the view of the Board, therefore, that foreign branches of national banks, as well as offices of national banks in the United States, are required in their operations with respect to the execution of

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"acceptances to observe the requirements, both as to purposes and limitations, of paragraphs 7 and 12 of section 13 of the Federal Reserve Act, as amended."

Approved unanimously.

Letter to Mr. Leland Howard, Acting Director of the Mint, Treasury Department, Washington 25, D. C., reading as follows:

"This refers to your letter of March 30, 1951, requesting that the Board of Governors conduct a campaign among the Federal Reserve Banks and branches to get coins back into circulation. It is understood that the Director of the Mint was requested by a Congressional committee to take the leadership in such a program.

"The quotation in your letter from the committee's report on the Treasury and Post Office Appropriation Bill states that the Federal Reserve Bank of New York sent out a circular to its member banks last year requesting them to urge their depositors to put their coins back into circulation, and as a result over \$750,000 in coins reappeared.

"Early this year and in November 1943 the Federal Reserve Bank of New York sent a circular to all banking institutions in its District asking for the return of all cents in excess of absolute needs. The \$750,000 figure given in the report referred to above was an estimate of the amount obtained from the appeal made in 1943. The Reserve Bank estimates that the recent appeal did not bring in more than \$50,000. As to success of its campaign, we have been advised informally that the response to the appeal alone would not have permitted the Reserve Bank to discontinue the program of rationing of cents which it was forced to adopt until it received additional coins from the mint.

"We understand that the information obtained from the Federal Reserve Bank of New York, together with certain other information obtained from the Philadelphia and Richmond Reserve Banks, was given to you informally over the telephone and that, in the light of the additional information, you would like to reconsider the request that the Federal Reserve conduct a campaign at this time to restore coins to circulation."

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Approved unanimously.

Letter to the Presidents of all Federal Reserve Banks,  
reading as follows:

"Section 24A of the Federal Reserve Act provides in part that no State member bank, without the Board's approval, shall invest in bank premises, or in stocks, bonds, etc., of any corporation holding the bank premises, if the aggregate of all such investments will exceed the amount of the capital stock of such bank.

"This language could be interpreted to mean that the aggregate amount of all past investments in bank premises must be included each time a State member bank proposes to make a further investment in bank premises to determine whether the Board's approval is required by statute. In construing this provision of law, the Board has taken the realistic view that only the present book value or carrying value of past investments need be included when further investments in bank premises are under consideration. However, the law contains no basis for disregarding any part of proposed investments in bank premises, and the Board's approval is required in any case in which the aggregate investment in bank premises (the book value of past investments plus the total proposed investment) will exceed the amount of the member bank's capital stock.

"The Board has given careful consideration to this whole question and is of the opinion that it is not authorized to waive its approval in such cases even though a special 'charge-off' will be made at the time of investment which will reduce the carrying value of such premises to an amount not exceeding the bank's capital stock. However, approval is hereby given in all cases in which the carrying or book value of the aggregate investment in bank premises will be simultaneously reduced by a charge-off of a portion of the investment to an amount not exceeding the capital stock of the bank, provided the Federal Reserve Bank is satisfied that the charge-off is justified in view of the condition of the bank and any other pertinent circumstances. In any individual

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"case in which the Reserve Bank is not completely satisfied as to the propriety of the charge-off, it is suggested that the matter be submitted to the Board for its consideration."

Approved unanimously.

Telegram to Mr. Stetzelberger, Vice President of the Federal Reserve Bank of Cleveland, reading as follows:

"Reurtel April 27, Board extends to June 4, 1951, time within which The Exchange Bank and Trust Company, Franklin, Pennsylvania, may accomplish membership."

Approved unanimously.

Letter to the Honorable John L. McClellan, Chairman, Committee on Expenditures in the Executive Departments, United States Senate, Washington 25, D. C., reading as follows:

"This is in response to your letter of March 20, 1951, requesting a report on S. 1150, a bill 'To provide for the reorganization of the Department of the Treasury in accordance with recommendations of the Commission on Organization of the Executive Branch of the Government.'

"This report is confined to comments on Section 3 of the bill which proposes to establish a National Monetary and Credit Council which would develop and recommend to the President policies in the domestic lending and monetary fields. The Council would consist of the Secretary of the Treasury, as Chairman, and representatives of such other agencies of the Government as the President may designate. There will be a Banking and International Finance unit in the Treasury which would 'comprehend the functions' of this Council.

"As your Committee is aware, the Treasury and the Federal Reserve Board, through conferences and negotiation, have recently agreed on working arrangements under which the responsibilities of the two agencies can be more effectively discharged. These arrangements represent

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"real progress. Undoubtedly, further improvements along these lines can and will be developed to promote consistency and insure coordination of possible conflicting policies which may arise from time to time. The Board is of the view that the public interest will best be served if present efforts are permitted to continue.

"The creation of a statutory Council such as that proposed in the bill would, it is believed, accomplish little that is not already being done. Indeed, the delicate balances that must be maintained through an effective coordination of closely related responsibilities might be jeopardized if the Congress should crystallize by statute the methods to be employed.

"The Board recognizes that there may be a need for an inter-agency Council or Committee for the purpose of promoting consistency in Federal loan policies and consistency of such policies with the general economic policies of the Government. It is the Board's view, however, that any such Council or Committee might most appropriately be established by executive action rather than by statute. Moreover, the policies to be considered by such a Council or Committee should, in the Board's opinion, be restricted to policies regarding the granting or insuring of domestic loans by or under the supervision of a Federal agency and should not include general policies of the Federal Government such as those involved in central banking and monetary fields.

"In the circumstances, the Board feels that the objectives of the proposed National Monetary and Credit Council, which would be set up by S. 1150, can best be accomplished by continued negotiation and coordination of effort and that the enactment of legislation creating the proposed Council would not be desirable.

"We are advised by the Bureau of the Budget that there would be no objection to the submission of this report to your Committee."

Approved unanimously.

Letter to the Honorable John L. McClellan, Chairman,

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Committee on Expenditures in the Executive Departments, United States Senate, Washington 25, D. C., reading as follows:

"This is in response to your letter of March 19, 1951, requesting the Board's views relative to any provisions of S. 1139 which affect the Federal Reserve System. S. 1139 would make certain changes in laws applicable to regulatory agencies of the Government so as to effectuate the recommendations regarding regulatory agencies made by the Commission on Organization of the Executive Branch of the Government.

"The Board, on September 23, 1949, submitted a report to the Senate Banking and Currency Committee on S. 2340 which contained provisions identical with those contained in S. 1139 relating to the Board of Governors of the Federal Reserve System. The present Board, after reconsidering that report, is in agreement with the views expressed therein. Accordingly, for the convenience of your Committee, the substance of the previous report is quoted in full.

'The Federal Reserve System would be affected in two respects:

- '1. Future appointments to fill vacancies on the Board would be made so that as soon as possible not more than four members of the Board would be members of the same political party.
- '2. Internal management of the Board, its relations with Congress, and execution of its policies would be performed on behalf of the Board by the Chairman who would have exclusive and final authority with respect to these matters.

'The Commission made no separate report on the Federal Reserve System. The System was enumerated among the independent regulatory commissions which are the subject of one report which notes, however, with respect to the expenses of these agencies, that the costs of the Federal Reserve System are not a charge on the taxpayers. This report makes specific recommendations affecting certain regulatory agencies while the only recommendations applicable to the Federal Reserve System, as such, were general recommendations as to all regulatory agencies covered by the report. The only document dealing specifically with the Reserve System, which was made public by the Hoover Commission, is a task force report which comments

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"favorably upon the "efficiency and dispatch" with which the System performs its functions and makes no recommendation that the non-partisan character of the Board be abandoned in favor of a bi-partisan Board, although it suggests other changes.

'The Board strongly opposes the two provisions applicable to the System in S. 2340 and believes that any changes made in the structure, responsibilities and functioning of the System should derive from a comprehensive monetary and credit study under the direction of the Congress rather than from the necessarily cursory inquiry of the Hoover Commission in this field which did not lead to an examination into or a report on these special problems by the Commission itself.

'As to the first provision, this would be entirely contrary to the spirit and intent of the Federal Reserve Act which was carefully drawn to insure that the Federal Reserve System would be non-partisan. Throughout its history, the System has been at pains to abstain from partisanship of any character and the Board has enforced a rule that directors and officers of the 12 Federal Reserve Banks and their 24 branches must not be identified with partisan or political activities.

'As the principal proponent of the Federal Reserve Act, Senator Glass insisted that members of the Board should be appointed without regard for political affiliations and he recounted in his book, "An Adventure in Constructive Finance", that President Wilson, in whose first administration the Act became law, "purposely refrained from contact with the Federal Reserve Board because he wanted the Board to feel perfectly free to pursue its course within the law without a particle of constraint or restraint from the Executive".

'By its nature the Federal Reserve System, and indeed any central banking organization, should bring to bear on monetary and credit problems for which it is primarily responsible independent judgment and action free, so far as possible, from extraneous influence. It is explicit in the statements of the authors of the Federal Reserve Act and implicit in the Act itself as a basic principle that the Federal Reserve System as an agency of Congress should be on a non-partisan, non-political basis. The law provides that, in selecting the members of the Board who are appointed



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"by the President with the advice and consent of the Senate, not more than one of them shall be selected from any one Federal Reserve district and that the President shall have due regard to a fair representation of the financial, agricultural, industrial and commercial interests and geographical divisions of the country. Their terms are fixed in such manner as to provide for the expiration of the term of not more than one member in any two-year period. They are required to devote their entire time to the business of the Board and to make annual reports to the Congress.

'The responsibilities of the Board as the governing body of the Federal Reserve System are carried out in the light of economic considerations, as evidenced by various provisions of the Federal Reserve Act which require that actions of the System shall be taken with a view to accommodating commerce and business and with regard to their bearing upon the general credit situation of the country, or with a view to preventing injurious credit expansion or contraction, or for the maintenance of sound credit conditions.

'S. 2340, however, would make the political history and affiliations of each future appointee to membership on the Board an essential factor in the consideration of his qualifications and might prevent the appointment of a person well qualified by training and experience to serve as a member. By this means there could be injected into the Federal Reserve System, at the top, political points of view which might take precedence over economic considerations. This provision, coupled with the provision that the Chairman of the Board shall have exclusive and final authority with respect to its internal management, its relations with Congress, and the execution of its policies, could result in a single political appointee controlling the policies of the Federal Reserve System. Under the existing plan the organization of the Board's staff and the formulation of the Board's policies have developed over the years on a strictly non-political basis, as a fundamental principle. Every important appointment and change in the Board's staff is approved by the Board; this is not the function of any single member. Specific rules of the Board require that every member of the Board's staff be appointed or promoted on the basis solely of

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"his merits and qualifications and over the years the Board has built up a staff with intellectual integrity and backgrounds of experience and training in the subjects to which employees are respectively assigned.

'This bill, however, would place in the hands of one Board member -- the one designated by the President as Chairman -- exclusive authority over the staff with the same result as if he were a single administrator. Thus the staff of the Board would be responsible only to the Chairman, and if a politically-minded Chairman were to be appointed the staff could be reorganized on a purely political basis and such considerations would no doubt enter into staff reports and recommendations.

'The provisions of S. 2340 go beyond the recommendation as to administrative responsibility contained in the Hoover Commission Report which states in this connection that "This recommendation does not derogate from the statutory responsibilities placed upon the other members of the Commission. They remain exactly as they are". However, under the bill the other six members of the Board would be deprived of the essential means for their independent appraisal of facts and policies without which their voting privileges would be rendered futile. The Chairman would be in a position to effectuate his will through the medium of his control of the staff organization. This would be unfair, not only to the other members of the Board, but to the staff as well, who now feel and are so instructed that their responsibility is to the Board as a whole and not solely to any individual member.

'Furthermore, there is a fundamental inconsistency in the suggestion that increased responsibility for administration be placed on the Chairman. He more than any other member has to carry the load of initiating and determining Board policy. Therefore, rather than placing greater responsibility on him for administrative detail, he and the other members should be relieved of that responsibility which should be carried by the staff. As a practical matter, should it be necessary or desirable for the purposes of more effective internal operation to assign to the staff more of the administrative work of the Board, that can be done without legislation.

'The proposals embraced in this bill become still more undesirable when considered in the light of the

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"fact that the seven members of the Board of Governors are a majority of the 12 members of the Federal Open Market Committee, established by the Federal Reserve Act, which is charged with a major responsibility in the field of credit policy. The other five members of this Committee are Presidents of Federal Reserve Banks who are appointed as Presidents by the directors of their banks with the approval of the Board of Governors on a strictly non-partisan basis. The staff of the Board as well as the staffs of the Federal Reserve Banks serve this Committee and customarily the Chairman of the Board of Governors is elected as Chairman of the Open Market Committee while a President of a Federal Reserve Bank is customarily elected as Vice Chairman of the Committee. The effect on this Committee of the injection of political considerations into the membership of the Board of Governors and the personnel of its staff would be difficult to appraise but would undoubtedly be disadvantageous."

"We are advised by the Bureau of the Budget that there would be no objection to the submission of this report to your Committee."

Approved unanimously, together with a similar letter to the Honorable William L. Dawson, Chairman, Committee on Expenditures in the Executive Departments, House of Representatives, Washington 25, D. C.

Letter to Lt. Gen. R. S. McLain, Comptroller, Department of the Army, Room 3A720, Pentagon Building, Washington, D. C., reading as follows:

"In connection with the current V-loan program, there is enclosed a draft of a proposed letter to the Federal Reserve Banks regarding the changes which should be made in the standard form of guarantee agreement in any case in which a loan made or participated in by a Federal Reserve Bank is guaranteed by one of the guaranteeing agencies. For your information, there is enclosed a printed copy of the standard form of guarantee agreement showing the changes which would be made in the agreement in accordance with the enclosed letter.

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"It will be appreciated if you will advise us whether the proposed letter in the form enclosed is agreeable to your Department."

Approved unanimously, together with identical letters to the Departments of the Navy, Air Force, Commerce, Agriculture, and Interior, the General Services Administration, and the Atomic Energy Commission.

Letter to the Presidents of all Federal Reserve Banks and the Vice President in charge of the Detroit Branch, reading as follows:

"For your information and guidance there is enclosed a copy of Comptroller's Order No. 50 dated April 17, 1951, issued by the Comptroller of the General Services Administration, outlining the policies and procedures which will be followed by that agency in connection with its operations under the V-Loan Program."

Approved unanimously.

Letter for the signature of the Chairman, to Mr. B. F. McLain, Manager, Hart Furniture Company, Dallas, Texas, reading as follows:

"This is in reply to your letter dated March 30, 1951, regarding consumer credit controls under Regulation W, with particular reference to instalment sales of furniture, and the effect of the regulation on sales of unregulated merchandise.

"One of the major problems involved in administering a regulation such as this is to make it restrictive enough so that it will be effective in accomplishing its purposes, and at the same time keep it from being an excessive burden on the people who are subject to it. The Board has felt that relatively tight terms for instalment credit are required at present in order to help restrain the inflationary pressures that are tending to raise the prices of all goods and services. As you know, the major purpose of the regulation is to curb the increased purchasing power that results from the

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"expansion of instalment credit, particularly in this emergency period when the production of many consumer goods is being restricted. A further purpose is to facilitate the diversion of critical materials and labor to military production.

"With regard to your point that Regulation W results in diversion of consumer expenditures from furniture to other articles more susceptible to inflation, we have given considerable thought to this possibility, and we question whether it is an important factor in the present inflationary situation. We believe that you will agree upon further reflection that the effect of Regulation W is to reduce inflationary expansion in demand for consumer goods as a whole, whether regulated or not. The expansion of consumer instalment credit, which was progressing at a rate of about \$2.5 billion a year prior to the re-establishment of Regulation W, tends to increase the demand not only for articles bought on instalment credit but other articles as well. This credit money, upon being spent in the first instance for durable goods, circulates in people's incomes generally and makes it possible for them not only to spend more out of income but also to qualify for additional credit. It is this spiraling effect of the expansion of consumer credit as it circulates throughout the economy that makes consumer instalment credit such an important factor in inflation.

"We appreciate your point of view with regard to the year-to-year increase in department store sales in Dallas during February in contrast to the drop reported in furniture sales. Department store figures for the entire country show an increase in sales during the first two months of 1951. However, it is interesting to note that the rise is due, to an important extent, to increases in sales of controlled articles such as furniture, major appliances, and television sets. Copies of our releases dated April 13, 1951, covering department store sales and stocks, are enclosed for your information. You will note that sales for the weeks of March 31 and April 7 have dropped off 14 and 9 percent respectively from corresponding periods a year ago.

"We are continually studying the effects of the regulation, and are interested in receiving for

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"consideration information such as that presented in your recent letter and in your letter of December 9, 1950. We appreciate your interest in communicating with us."

Approved unanimously.

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

"This refers to your letter of April 14, 1951, in which you suggest that the existence of ceiling prices on used cars might afford an opportunity to limit maximum allowances on automobile trade-ins to such ceiling prices. The unsatisfactory situation that such a suggestion would help to overcome is clearly indicated by the letter you enclosed from Mr. C. N. Woodruff, Woodruff Motor Sales, Glendale, California.

"The Board from time to time in the past has given considerable thought to the problem that you point out. We have recognized that the restrictive effect of the down-payment requirement may be nullified by over-allowances, particularly when the price of the car sold is increased to cover an over-allowance on the trade-in and that, in many instances, this violative practice may be very difficult for the investigator to find. We feel as you do that it would be desirable if possible to develop some means of preventing such practices under the terms of the regulation.

"It has seemed to the Board, however, that limitations on automobile trade-in allowances would have rather serious disadvantages. The principle disadvantage, it seems to us, is that such a provision would tend to have the effect of preventing price reductions, particularly in the case of new car sales. The reduction of effective automobile prices by means of over-allowances on trade-ins is an established practice in the new automobile market when there is competition among sellers. For various reasons, new car dealers find it inexpedient to reduce the factory-authorized retail price, and therefore effect any price reductions by means of their trade-in allowance. If the Board were to limit the maximum allowances on automobile trade-ins, it would in effect be regulating the price at which cars could be sold. Aside from the

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"fact that Regulation W is not designed to regulate the prices of listed articles as such, such a provision, by tending to maintain or raise automobile selling prices, would be inconsistent with the general anti-inflationary purposes of the regulation.

"For these reasons it has seemed to us that it would not be advisable for the Board to adopt your suggestion. Although we appreciate the importance of the problem that you point out, we have so far been unable to develop an entirely satisfactory solution. One suggestion has been to change the trade-in rule for automobiles to make it the same as the present rule for other articles. Since this would be quite drastic, however, we have not felt that it would be justified unless evasion of the automobile down-payment requirement becomes a more serious problem than it now seems to be. In this connection, as you know, the regulation relies for its restrictive effect on automobile credit more on the maturity limitation than on the down-payment requirement.

"We appreciate your interest in this matter. The subject will be under continuing study here at the Board and we should be interested to hear from you with regard to the extent by which down-payments are evaded by this means in your district as well as any further views you may have on methods to solve the problem."

Approved unanimously.

Letter to Mr. Lewis, Assistant Vice President of the Federal Reserve Bank of St. Louis, reading as follows:

"This will acknowledge your letter of April 2 regarding the use of the Statement of the Borrower with respect to loans made by commercial banks. We believe you have made a reasonable interpretation of the requirements of Regulation X with respect to not requiring a specific Statement of the Borrower in connection with the type of loans you mention; i.e., seasonal loans to farmers and businessmen, and periodic advances of small amounts to habitual borrowers. Even in these instances, however, the lender has the respon-

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"sibility, as you know, of ascertaining the purpose of the credit extended. The necessity for obtaining a Statement of the Borrower is only one means of complying with this requirement.

"We do not think, however, that the Federal Reserve Banks should discourage the use of the Statement of the Borrower since, in the long run, it may be the simplest way to ascertain the purpose of an extension of credit. Moreover, it is desirable that wherever possible such records be maintained that both examiners and investigators will be able to determine whether extensions of credit are subject to Regulation X without having to inquire of the lender the purpose of the loan. We think, for instance, that loans which are represented only by entries in liability and other ledgers of a bank, and the note itself, may not clearly indicate to either an examiner or an investigator the use of the proceeds of the loan. Many banks do not maintain adequate credit files or other written information about loans and borrowers. Hence, banks may find it less burdensome to indicate through a written record whether the loan is or is not subject to Regulation X."

Approved unanimously.

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

"Adoption of amendment to Regulation X covering leases will be temporarily delayed because of necessity for consultation with trade regarding provisions of proposed amendment. Meanwhile, if you receive inquiries on proposed leasing arrangements under Regulation X, you may advise registrants that the Board will not raise questions concerning leases which clearly would be exempt under tentative draft of amendment in our telegram of April 17. Proposed leasing arrangements which would be subject to regulation through application of provisions of tentative draft of amendment should be considered as subject to regulation."

Approved unanimously.



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Letter to Mr. Peyton, Chairman of the Conference of Presidents of the Federal Reserve Banks, reading as follows:

"One of the Federal Reserve Banks has urged that the reserves for contingencies of the Federal Reserve Banks be further increased in view of the recent change in open market policy and subsequent market developments.

"The Board suggests, therefore, that the question of the adequacy of the reserves for contingencies be placed on the agenda for the coming Conference of Presidents.

"Attached is a background memorandum bearing on the question."

Approved unanimously.

Memorandum dated April 16, 1951, from the Personnel Committee, reading as follows:

"At a meeting of the Personnel Committee today consideration was given to the advisability of amending the Board's travel regulations to take cognizance of the increased cost of official travel.

"It was the consensus of the Committee that the per diem allowable to Board members should be increased from \$12. to \$15. and that the per diem authorized for heads or assistant heads of divisions of the Board's Washington staff (who shall include Assistants to the Chairman or the Board and the Economic Adviser to the Board), the Chief Federal Reserve Examiner, the Federal Reserve Bank Auditors who audit the accounts of the Board, and any other persons traveling on official business of the Board upon specific authorization of the Board's Personnel Committee, should be increased from \$9. to \$12. The Committee was also of the opinion that the last sentence in paragraph 6 of the Board's travel regulations should be amended to read as follows:

'When hotel or other accommodations are shared by the traveler, the fact should be stated in his expense voucher and he may claim an amount not to exceed the cost of single occupancy of such accommodations.'

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"In addition, it seems appropriate at this time to include in paragraph 4 of Board's regulations certain other changes of a technical nature which would embrace similar provisions in the Standardized Government Travel Regulations. These changes are for the purpose of clarifying present procedure in the allowance, under certain conditions, of additional expense involved in use of extra fare train or airplane service, or occupancy of superior Pullman and steamer accommodations when lower priced accommodations are not available.

"All of the foregoing indicated changes have been incorporated in a revised copy of the Board's travel regulations which is attached hereto.

"Accordingly, it is recommended that the Board approve the attached amended regulations, to be effective May 1, 1951."

Approved unanimously.

The official travel regulations of the Board, as amended effective May 1, 1951, in accordance with the above action, were as follows:

"Reimbursement for expenses of persons traveling on official business of the Board shall be as hereinafter set forth.

"1. Members of the Board shall be allowed either (a) actual necessary transportation expenses and a per diem in lieu of subsistence not to exceed \$15 or (b) their actual necessary travel expenses. The terms underscored are defined below. When actual necessary travel expenses are claimed, the items of expense shall be set forth in detail in the travel voucher which shall be supported by satisfactory receipts. Such expenses shall not be allowed when claimed in a lump sum. Members of the Board shall also be allowed reasonable expenses for telephone, telegraph, cable and radio service, and for miscellaneous expenses, including stenographic and other clerical service, when such expenditures are necessary for the transaction of official business while in a travel status.

"2. Heads or assistant heads of divisions of the Board's Washington staff (who shall include Assistants to the Chairman or the Board and the Economic Adviser to the Board), the Chief Federal Reserve Examiner, the Federal Reserve Bank auditors

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"who audit the accounts of the Board, and any other persons traveling on official business of the Board upon specific authorization of the Board's Personnel Committee, shall be allowed either (a) actual necessary transportation expenses and a per diem in lieu of subsistence not to exceed \$12 or (b) upon specific authorization of the Board's Personnel Committee their actual necessary travel expenses when the travel voucher is supported by satisfactory receipts.

"3. All other persons traveling on official business of the Board pursuant to proper authorizations shall be allowed actual necessary transportation expenses and a per diem in lieu of subsistence not to exceed \$9.

"4. For the purposes of paragraphs 1, 2, and 3 above, the term actual necessary transportation expenses includes the cost of all necessary official travel by railroad, airline, steamer, bus, streetcar, taxicab, automobile and other means of conveyance, together with minimum priced single first-class accommodations in staterooms on vessels or one standard lower berth or single seat in a sleeping or chair car, except that the lowest priced first-class Pullman accommodation obtainable in connection with a single fare may be allowed when notation is made on the travel voucher that, at time reservation was made, the accommodation, if superior to a standard lower berth, was the lowest priced first-class available; and, in the case of steamship travel, the lowest priced single first-class accommodation available will be allowed when notation is made on the travel voucher that the accommodation superior to minimum single first-class was the lowest available at time reservation was made. Persons referred to in paragraphs 1 and 2 above may be allowed any Pullman accommodations obtainable in connection with a single fare, and, when a single bedroom is not available, any member of the Board may be allowed the extra railroad fare necessary to enable him to obtain Pullman accommodations, the cost of which does not exceed the cost of a compartment, as well as the extra cost of such accommodations. This item also includes reasonable expenditures for the ordinary incidentals to transportation which are not covered by the definition of per diem in lieu of subsistence, such as cost of baggage transfer; official telegraph,

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"telephone, radio and cable messages relating to transportation; steamer chairs and steamer rugs; and the usual taxicab, streetcar or bus fares from station or wharf or other terminal to place of abode or place of business and from place of abode or place of business to station or wharf or other terminal while in a travel status. When using his own automobile in official travel, the traveler may be allowed mileage at a rate not to exceed 7¢ per mile in lieu of actual operating expenses.

"When savings can be effected by the purchase of round trip or special rate tickets, they shall be obtained.

"Extra expense incurred by persons referred to in paragraphs 2 and 3 above by reason of travel on extra fare trains and planes, or unusual means of conveyance, will be allowed only when the travel voucher is accompanied by a satisfactory showing of the necessity therefor, or that the cost thereof, less the amount of subsistence allowance saved by more expeditious travel and the amount of salary of the traveler for the time thus saved, does not exceed the standard cost of rail and Pullman or airline fare between the points of travel.

"5. For the purposes of paragraphs 1, 2, and 3 above, the term per diem in lieu of subsistence includes all meals; lodgings; personal use of room during daytime; baths; all fees and tips to waiters, porters, baggagemen, bellboys, hotel maids, and dining room stewards and others on vessels, and hotel servants in foreign countries, in connection with subsistence and transportation; telegrams and telephone calls reserving hotel accommodations; laundry; cleaning and pressing of clothing; and transportation between places of lodging or where meals are taken and places of duty.

"When meals are included in the cost of passage ticket on vessels, per diem in lieu of subsistence will not be allowed while traveler is on shipboard, but for such period he will be reimbursed on the basis of actual necessary travel expenses.

"When a member of the Board's staff finds it necessary to take leave of absence on account of illness while in a travel status, he may be allowed (with the approval of the Board's Personnel Committee

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"in the case of a head of a division, and with the approval of the head of the division in the case of other employees of the Board) per diem in lieu of subsistence during such absence, for a period not to exceed one week and, in the event the illness extends beyond one week, he may be allowed per diem in lieu of subsistence for such additional period as may be fixed by the Board.

"6. For the purposes of paragraphs 1 and 2 above, the term actual necessary travel expenses includes all actual necessary expenditures covered by the definitions of (a) actual necessary transportation expenses and (b) per diem in lieu of subsistence. When hotel or other accommodations are shared by the traveler, the fact should be stated in his expense voucher and he may claim an amount not to exceed the cost of single occupancy of such accommodations.

"7. Except to the extent specifically allowed otherwise by these regulations, the provisions of the standardized Government travel regulations as amended shall continue to apply to all persons traveling on official business of the Board.

"8. Whenever any travel at the Board's expense is contemplated by any member of the Board, heads or assistant heads of divisions of the Board's Washington staff (who shall include Assistants to the Chairman or the Board and the Economic Adviser to the Board), and the Chief Federal Reserve Examiner, a memorandum in a form provided by the Board for the purpose shall be submitted in advance of the trip to the Board's Personnel Committee\*, and whenever any such travel is contemplated by other members of the staff a similar memorandum shall be submitted in advance of the trip to the division head concerned, setting forth the proposed date or dates of absence on such travel, the itinerary to be followed, the purpose, and why it is deemed necessary in the conduct of the official business of the Board. When it is expected that more than one member of the Board will visit any place at approximately the same time, the attention of the Personnel Committee\* should be directed to the fact and the Committee\* shall inquire into the necessity therefor. No voucher for travel expenses to which this paragraph applies shall be paid by the Division of Administrative Services unless the Division shall

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"have been furnished with advice of approval of such travel by the Personnel Committee\* or by the division head, as the case may be.

(\*Note: When travel of a member of the Personnel Committee is involved, the Chairman, Vice Chairman, or Chairman pro tem. will substitute for such member on the Personnel Committee.)"

Letter to Mr. Foley, Administrator, Housing and Home Finance Agency, approving an amendment to the procedure for the processing and approval of exceptions from residential credit controls under Regulation X, Real Estate Credit. The policy and procedure were referred to at the meeting of the Board on February 27, 1951, and were approved in a letter to Mr. Foley dated March 6, 1951, and this amendment was approved in order to apply the procedure to the San Diego critical defense area and to additional critical defense areas designated hereafter by the Housing and Home Finance Administrator with the concurrence of the Board:

"Returned herewith is your issuance on the general policies and procedures to be followed in the administration of exceptions to real estate credit controls for the purpose of expediting the construction of housing in critical defense areas.

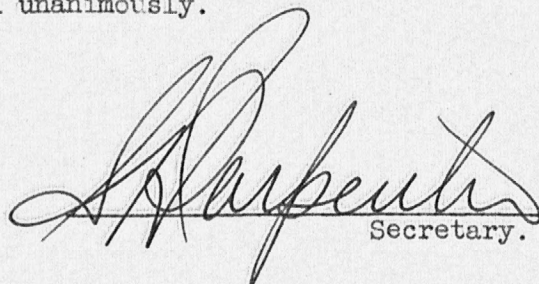
"It is the Board's understanding that this amendment to the statement previously issued is for the purpose of modifying the policies and procedures in order that they may be applicable to critical defense areas not related to the activities of the Atomic Energy Commission, and does not change in any way our present understanding with respect to either the designation of critical areas or the establishment of the terms

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"which would be applicable therein."

Approved unanimously.



Secretary.