

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, June 29, 1951.

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

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 June 28, 1951, were approved unanimously.

Telegrams to the Federal Reserve Banks of Boston, New York, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, Dallas, and San Francisco stating that the Board approves the establishment without change by the Federal Reserve Bank of San Francisco on June 26, by the Federal Reserve Banks of Atlanta and St. Louis on June 27, by the Federal Reserve Banks of New York, Cleveland, Richmond, Chicago, Minneapolis, Kansas City, and Dallas on June 28, and by the Federal Reserve Bank of Boston today of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Memorandum dated June 26, 1951, from Mr. Sloan, Director of the Division of Examinations, recommending that the resignation of Walter S. Hall, Assistant Federal Reserve Examiner in that Division, be accepted to be effective, in accordance with his request, at the expiration of accrued annual leave standing to his credit July 9, 1951.

Approved unanimously.

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Memorandum dated June 27, 1951, from Mr. Dembitz, Assistant Director of the Division of International Finance, recommending increases in the basic annual salaries of the following employees in that Division, effective July 8, 1951:

<u>Name</u>	<u>Title</u>	<u>Salary Increases</u>	
		<u>From</u>	<u>To</u>
Margaret R. Garber	Statistical Assistant	\$3,950	\$4,075
Caroline Lichtenberg	Economist	3,950	4,075

Approved unanimously.

Memorandum dated May 29, 1951, from Mr. Young, Director of the Division of Research and Statistics, recommending that Miss Rose Cornish, Clerk-Typist in that Division, be designated Clerk, with an increase in her basic salary from \$2,850 to \$2,970 per annum, effective July 8, 1951.

Approved unanimously.

Memorandum dated June 29, 1951 from Mr. Carpenter, Secretary of the Board, recommending that in accordance with the request contained in a letter dated June 26, 1951 from Mr. Bryan, President of the Federal Reserve Bank of Atlanta, Miss Edna B. Poeppel, Chief of the Files Section in the Office of the Secretary, be authorized to proceed to Atlanta, Georgia, some time later this year for an estimated period of somewhat more than four weeks for the purpose of reviewing the Reserve Bank's filing system with a view to revision of that system; with the understanding that the Board would continue to pay Miss Poeppel's salary and Retirement System contributions during the period of the assignment

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and would reimburse her for actual necessary traveling expenses and per diem in lieu of subsistence in accordance with the Board's travel regulations while so engaged.

Approved unanimously.

Memorandum dated June 27, 1951, from Mr. Sloan, Director of the Division of Examinations, recommending that the Board's action of October 18, 1948, authorizing the Division of Administrative Services to make travel advances to members of the Board's staff under certain conditions be amended so as to authorize the Division to make a travel advance in an amount not exceeding 28 days per diem to any member of the Board's field examining staff on the basis of an application made in substantially the usual form but regardless of whether there is in fact any security for the advance.

Approved unanimously.

Telegram to Mr. Wilbur, Chairman of the Federal Reserve Bank of San Francisco, authorizing him to issue limited voting permits, under the provisions of section 5144 of the Revised Statutes of the United States, to Transamerica Corporation, San Francisco, California, entitling such organization to vote the stock which it owns or controls of The First National Bank of Los Altos, Los Altos, California; The First National Bank of Cottage Grove, Cottage Grove, Oregon; and The First National Bank of Prineville, Prineville, Oregon, at any time



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prior to October 1, 1951, to act upon proposals (1) to increase the capital stock of such banks, and (2) to amend the articles of association of such banks to conform to articles recommended by the Comptroller of the Currency, provided that all action taken shall be in accordance with plans satisfactory to the Comptroller of the Currency.

Approved unanimously.

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

"Your letter inviting members of the Board's staff to participate in your Central Banking Seminar to be held in San Francisco September 17-21 has been under consideration for some time. The invitation is highly appreciated and we are making plans for two or three members of the staff to participate.

"It is not possible to say with certainty at this time who will be able to attend but our thought is that one person from the Secretary's Office and one or two high level economists might fit best into your program.

"The specific topics mentioned for discussion by the Board representatives appear quite appropriate but we should hope that sufficient latitude could be allowed so that the Board representatives could emphasize those aspects of the general subjects of most interest to them. In other words, the individuals chosen to participate may not be experts on the consumer finance surveys or on moneyflows although anyone coming from the Board will be able to discuss these subjects in a general way.

"Although the Seminar covers a period of five days, we assume you would not need the representatives from the Board to be there the full period. If this assumption is correct, I wonder if it would be feasible to schedule discussions by the Board people toward the end of the program. The Federal Advisory Council is meeting here between September 16 and 18 and one or two of the men most helpful to you may be tied down until after that.

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"We will let you know as soon as we can the specific individuals chosen to participate in the Seminar. Please let us know if these tentative arrangements are satisfactory to you or if you have other suggestions in this connection."

Approved unanimously.

Letter to the Honorable Alexander Wiley, United States Senate, Washington, D. C., reading as follows:

"This refers to your note of June 8, addressed to Chairman Martin, with which you enclosed a letter dated May 25, 1951, from Mr. L. N. Schommer, Vice President, Essential Products Corporation, Little Chute, Wisconsin, commenting on the lack of bank credit available for small businesses. We assume that the present bank credit restrictions to which Mr. Schommer refers are those subscribed to voluntarily by the commercial banks participating in the Voluntary Credit Restraint Program, since there are not at present any direct mandatory restrictions on bank loans for working capital purposes.

"Government agencies in general and the Federal Reserve Board in particular are well aware of the difficulties confronting small business and are sympathetic to the small businessman's problems and viewpoint. At the same time they must recognize and attempt to curb the serious inflationary pressures that have developed since the outbreak of the Korean war and threaten the stability of our entire economic system, including small as well as large, businesses. Since June 1950 the commercial banks alone have provided business concerns and individuals with an additional 10 billion dollars of short - and intermediate-term credit - an unprecedented expansion of credit for a period as short as this. Such credit expansion, by enabling business concerns and individuals to buy and hold goods and to bid up the prices of such goods in competition with each other, has contributed greatly to the rise in prices since last June which, on the basis of the all-commodity wholesale price index, amounted to over 16 per cent.

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"If such price advances were permitted to continue indefinitely, as well they might in the face of large scale demands for goods and services at a time when labor and materials are being diverted from civilian to defense production, both the stability of the economy and the whole defense program might be jeopardized. For this reason credit restraint, as well as price control measures, have been adopted - not for the purpose of denying credit to small business but to check the over-all expansion of credit.

"On the other hand, positive steps have been taken through the so-called V loan guarantee program to assure adequate supplies of working capital credit to defense contractors and sub-contractors, both large and small. As a result of this program and of such restrictive actions as are being taken, some credit is being diverted from non-defense and non-essential uses to defense and defense-supporting activities. We cannot create an inexhaustible reservoir of credit and still keep inflationary pressures in check any more than we can engage in a global war and still permit our civilian population to continue its normal peacetime consumption of gasoline.

"Mr. Schommer's letter is returned herewith in accordance with your request."

Approved unanimously.

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

"Reference is made to your letter of June 25, 1951, enclosing a certified copy of a resolution adopted by the Board of Directors of The Citizens Bank of Aztec, Aztec, New Mexico, signifying its intention to withdraw from membership and requesting waiver of the six months' notice of such withdrawal.

"In view of your recommendation, the Board of Governors waives the requirement of six months' notice of withdrawal. Accordingly, upon surrender of the Federal Reserve Bank stock issued to The Citizens Bank of Aztec, Aztec, New Mexico, you are authorized to cancel such stock and make



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"appropriate refund thereon. Under the provisions of the Board's letter of February 19, 1937, (F.R.L.S. #3548) the bank may accomplish the termination of its membership at any time within four months of the date of this letter. If a longer period is required, the bank should request an extension of time. The Board has been advised that the application for continuance of deposit insurance has been approved by the Federal Deposit Insurance Corporation subject to certain conditions.

"It is noted that the bank is moving the main office to Farmington, New Mexico, and is withdrawing because it does not have the \$250,000 minimum capital required by Federal statute for the establishment of a branch in Aztec, New Mexico.

"Please advise when cancellation is effected and refund is made. The certificate of membership issued to the bank should be obtained, if possible, and forwarded to the Board. The State banking authorities should be advised of the bank's proposed withdrawal from membership and the date such withdrawal becomes effective."

Approved unanimously.

Letter to the Honorable Clinton P. Anderson, United States Senate, Washington, D. C., reading as follows:

"The Board has been apprised of your telephone conversation yesterday afternoon with Mr. Heath of the Board's staff regarding the Household Appliance Company of Albuquerque, New Mexico.

"We understand that Mr. Cecil H. Miller, proprietor of the company, has been asked by the Denver Branch of the Federal Reserve Bank of Kansas City to come in to the Branch to discuss the violations of Regulation W disclosed during a visit by the Branch representative last April. It also appears that Mr. Miller has furnished you with explanations which you feel indicate that the violations were inconsequential. In the circumstances, we suggest that Mr. Miller promptly furnish by mail to the Denver Branch the same information which he has furnished you.

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"The Board appreciates your bringing this matter to its attention. We are very much concerned that you or Mr. Miller should feel that he has not received fair and proper consideration from the Federal Reserve System, and as a result of your call we have asked the Denver Branch to review this matter in order to be sure that any possible misunderstanding is corrected. We sincerely regret if there has been any misunderstanding and we want to assure you that in the System's enforcement policy with respect to this and its other regulations every effort is being and will be made to insure that every person affected receives fair and equitable consideration."

Approved unanimously.

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

"This refers to your letter of June 5, 1951, to the Board reviewing the application of Regulation X to the situation of the Miners Coal Company, Madisonville, Kentucky. We also received a letter directly from the Miners Coal Company and have had direct conversations with Mr. Joe Davis, Secretary-Treasurer, on the matter. We have stated that we agree, on the basis of the facts presented, with your interpretations and are unable to see how an exemption could be made solely for this case.

"During his visit here, Mr. Davis stated that he did not believe that the facts would support a need for special assistance for defense housing in this case and indicated that he preferred not to give consideration to such a proposal."

Approved unanimously.

  
Secretary.