

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, July 12, 1951. The Board met in the Board Room at 10:35 a.m.

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

Mr. Carpenter, Secretary
 Mr. Sherman, Assistant Secretary
 Mr. Kenyon, Assistant Secretary
 Mr. Thurston, Assistant to the Board
 Mr. Thomas, Economic Adviser to the Board
 Mr. Leonard, Director, Division of Bank Operations
 Mr. Vest, General Counsel
 Mr. Townsend, Solicitor
 Mr. Young, Director, Division of Research and Statistics

Mr. Carpenter stated that the staff had been considering what comment, if any, should be made in the introductory paragraphs to the weekly statement of condition of the Federal Reserve Banks for the week ended July 11, 1951, regarding the exchange of \$1 billion of 2-3/4 per cent Treasury bonds, Investment Series B-1975-80, held in the System Open Market Account for a like amount of 1-1/2 per cent Treasury notes due April 1, 1956, and that the following comment had been suggested although there was some question whether the second sentence should be included:

"During the period \$1,000 million of 2-3/4 per cent Treasury bonds, Investment Series B-1975-80, were exchanged for a like amount of 1-1/2 per cent Treasury notes due April 1, 1956. This exchange was made as a step toward providing a better balanced distribution of maturities in the System Open Market Account."

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Mr. Thurston stated that although he had no strong preference, he felt that the Board would be called upon to offer some explanation of the conversion, that this statement followed the lines of what would be said in response to such a request, and that he would suggest that the second sentence be retained. Mr. Thomas expressed views similar to Mr. Thurston's and, following a brief discussion, it was understood that the above statement would be included in the forthcoming weekly statement of condition of the Federal Reserve Banks.

Before the meeting there had been circulated to the members of the Board copies of a proposed letter to Mr. S. J. Phillips, President of the Booker T. Washington Birthplace Memorial, Booker Washington Birthplace, Virginia, reading as follows:

"We have considered carefully the request made in your letter of July 4, 1951, to Governor Norton that the Federal Reserve Banks purchase from the Mint all of the Booker T. Washington Memorial half dollars now held by the Mint and 2,300,000 such coins to be minted, and hold them in storage for you for a reasonable length of time while you attempt to dispose of the coins at sixty cents each.

"As you know, the Federal Reserve Banks have cooperated with the Booker T. Washington Birthplace Memorial in the program for the distribution of the Memorial coins and to that end entered into an agreement with the Memorial in 1947. However, the bulk purchase by the Federal Reserve Banks as proposed in your letter was not contemplated by that agreement nor, we believe, by the law authorizing the issuance of the coins. Accordingly, I regret to advise you that, in the circumstances, it does not appear appropriate for the Federal Reserve to make the purchase in accordance with your request."

In response to a request by Mr. Norton for comment on the above matter, Mr. Leonard said that pursuant to Public Law 610 - 79th Congress,

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dated August 7, 1946, the Director of the Mint was authorized to coin not to exceed five million special silver 50-cent pieces to be issued at par at the request of the Booker T. Washington Birthplace Memorial for the purpose of resale by the Memorial at a premium, that the Federal Reserve Banks entered into an agreement with the Memorial to cooperate by providing facilities for their distribution, that the campaign had proved generally unsuccessful, and that the authority to mint the remainder of the coins (2,300,000) would expire August 7, 1951. The current proposal of the Memorial, Mr. Leonard said, would amount in effect to a loan by the System to the Memorial in the amount of the face value of the coins now held in the Mint and to be minted, pending their distribution at a premium or otherwise. Mr. Leonard went on to say that the Bureau of the Mint was opposed in principle to the coining of memorial issues and this position was supported by the Federal Reserve Banks. He also noted that while two bills had been introduced, one in the Senate and one in the House, which would extend the period for minting of the Booker T. Washington Memorial coins, the bills had been referred to the respective banking and currency committees and he had been informed that there appeared to be little chance of their passage.

Following discussion, upon motion
by Mr. Norton, the above letter to Mr.
Phillips was approved unanimously.

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Mr. Vardaman referred to a letter dated July 10, 1951, which he had received from Mr. Alex Berger, Jr., 4605 Lindell Boulevard, St. Louis, Missouri, stating that he and his mother were among the larger holders of certificates of beneficial interest in the Mercantile-Commerce National Bank, St. Louis, Missouri, and that they would appreciate having a copy of a letter written in 1935 by the Board to the Mercantile-Commerce Bank and Trust Company, St. Louis, Missouri, which he understood stated that the option of that bank to purchase the Mercantile-Commerce National Bank was illegal. Mr. Vardaman said that he had requested Mr. Vest to reply to Mr. Berger's letter, and suggested that the reply refer to the policy of the Board, as expressed in its Rules of Organization, not to make available from its records information relating to the business or financial affairs of a particular bank, that it state that, accordingly, the Board was not in a position to furnish copies of letters to the member bank in question, and that Mr. Berger might ask the Mercantile-Commerce Bank and Trust Company to give him the information he desired.

Mr. Townsend called attention to a release dated July 11, 1951, issued by the office of Representative Tackett of Arkansas, condemning alleged enforcement practices in connection with Regulation W, Consumer Credit, and referring to the introduction in the House that day by Mr. Tackett of a resolution to investigate those practices. Mr. Townsend recalled that following a speech on the floor of the House on June 27 by Mr. Tackett dealing with the same subject, the Board at its meeting

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on June 28 decided that no statement in reply to Mr. Tackett's charges was warranted in the absence of further developments since it was felt that a formal answer by the Board might tend to attach more importance to the speech than it merited and since the material had apparently been furnished by sources close to the Federal Reserve System having an objective of getting over a point of view. He suggested that the Board might wish to reconsider its previous decision in the light of Mr. Tackett's release of July 11 and the fact that the resolution referred to above had been introduced, that there appeared to be a concerted drive to undermine the Regulation W enforcement program, and that clarification by the Board might serve to offset newspaper publicity given to this type of statement.

Chairman Martin stated that he appreciated the points raised by Mr. Townsend and would give the matter further consideration.

All of the members of the staff with the exception of Mr. Carpenter withdrew from the meeting at this point.

There was presented a memorandum dated July 11, 1951, from the Personnel Committee referring to the action taken at the meeting of the Board on March 29, 1951, approving (1) the transfer of Mr. Clarke L. Fauver to the Division of Selective Credit Regulation as an assistant effective April 1, 1951, with no change in his salary at the rate of \$9,000 per annum, and (2) Mr. Fauver's appointment as an Assistant Director

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of the Division effective as of the date Mr. Heath returned to the Federal Reserve Bank of Chicago, with salary at the rate of \$10,000 per annum, the action being taken with the understanding that, as requested by Mr. Vardaman, before the appointment of Mr. Fauver as Assistant Director became effective the matter would be brought to the attention of the Board again. The memorandum stated that Mr. Heath's temporary appointment would terminate on July 20, that the matter was being brought to the attention of the Board in accordance with the above understanding, and that it was recommended that no further action be taken by the Board and that the appointment of Mr. Fauver become effective in accordance with the action taken on March 29.

This recommendation was
approved unanimously.

At this point Mr. Carpenter withdrew and the Board went into executive session.

Subsequently the Chairman advised the Secretary that the Board had considered a memorandum dated June 22, 1951, from Mr. Marget, Director of the Division of International Finance, recommending that Mr. Arthur C. Bunce be appointed Chief of the Far Eastern Section of the Division of International Finance on a temporary indefinite basis with basic salary at the rate of \$9,200 per annum. The Chairman stated that the recommendation had been approved on condition that he would discuss the proposed appointment with Mr. Marget and would satisfy himself that the appointment should be made, that he had talked with Mr. Marget, and approved the appointment to become effective as of the date upon which Mr. Bunce enters upon the performance of his duties.

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After the executive session the Board took the following additional actions:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on July 11, 1951, were approved unanimously.

Memorandum dated July 10, 1951, from Mr. Bethea, Director, Division of Administrative Services, recommending that Mrs. Carrie S. Turner, Clerk-Stenographer in the Division of Bank Operations, be transferred to the Division of Administrative Services as Secretary to Mr. Johnson, Assistant Director of that Division, with an increase in her basic salary from \$3,115 to \$3,225 per annum, both effective as of the date upon which she assumes her new duties. The memorandum also stated that the Division of Bank Operations was agreeable to this transfer.

Approved unanimously.

Memorandum dated July 11, 1951, from Mr. Carpenter, Secretary of the Board, recommending that Miss Marjorie Eaton, Secretary to Mr. Heath in the Division of Selective Credit Regulation, be transferred to the Office of the Secretary as Secretary to Mr. Sherman, Assistant Secretary, with no change in her present basic salary of \$3,475 per annum, effective as of the date upon which she assumes her duties. The memorandum also stated that this transfer was agreeable to the Division of Selective Credit Regulation.

Approved unanimously.

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Memorandum dated July 11, 1951, from Mr. Leonard, Director, Division of Bank Operations, recommending that Miss Caroline Mary Clark, Stenographer in the Division of Examinations, be transferred to the Division of Bank Operations as Clerk-Stenographer, with no change in her present basic salary of \$2,650 per annum, effective as of the date upon which she assumes her duties. The memorandum also stated that the Division of Examinations was agreeable to this transfer.

Approved unanimously.

Memorandum dated July 10, 1951, from Mr. Bethea, Director, Division of Administrative Services, recommending an increase in the basic salary of Bruce L. Moffett, Offset Press Operator in that Division, from \$3,575 to \$3,825 per annum, effective July 22, 1951.

Approved unanimously.

Memorandum dated July 10, 1951, from Mr. Bethea, Director, Division of Administrative Services, recommending the appointment of Mrs. Ann Marie Marino as an Elevator Operator in that Division, on a temporary basis for a period of two months, with basic salary at the rate of \$2,120 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed the usual physical examination and subject to the completion of a satisfactory employment investigation.

Approved unanimously.

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Memorandum dated July 6, 1951, from Mr. Young, Director, Division of Research and Statistics, recommending the appointment of Miss Dorothy R. Wynne as a Clerk in that Division, on a temporary indefinite basis, with basic salary at the rate of \$2,875 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed the usual physical examination and subject to the completion of a satisfactory employment investigation.

Approved unanimously.

Memorandum dated June 29, 1951, from Mr. Young, Director, Division of Research and Statistics, recommending approval of arrangements to have Lorman C. Trueblood, Economist in the Business Conditions Section of that Division, spend most of his time for the next five or six weeks at the National Production Authority in order to work with Mr. Ernest Tupper, a special assistant to Mr. Fleischman, Administrator of National Production Authority and Defense Production Administration. The memorandum stated that this arrangement would permit the Board to obtain needed information, heretofore unavailable, relating to the volume of production of end products, especially consumer durable goods, and that it had been discussed with, and approved by, Mr. Szymczak.

Approved unanimously.

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Letter to Mr. McCormick, Federal Reserve Agent of the Federal Reserve Bank of Richmond, reading as follows:

"In accordance with the request contained in Mr. Shepherd's letter of July 9, 1951, the Board of Governors approves the appointment of Mr. E. Riggs Jones, Jr. as Federal Reserve Agent's Representative, Baltimore Branch, at his present salary of \$4,080 per annum.

"This approval is given with the understanding that Mr. Jones will be placed upon the Federal Reserve Agent's pay roll and will be solely responsible to him or, during a vacancy in the office of the Federal Reserve Agent, to the Assistant Federal Reserve Agent, and to the Board of Governors, for the proper performance of his duties. When not engaged in the performance of his duties as Federal Reserve Agent's Representative he may, with the approval of the Federal Reserve Agent or, in his absence, of the Assistant Federal Reserve Agent, and the Vice President in charge of the Baltimore Branch, perform such work for the Branch as will not be inconsistent with his duties as Federal Reserve Agent's Representative.

"It is noted in Mr. Shepherd's letter that the appointment of Mr. Jones as Federal Reserve Agent's Representative will become effective at the time he executes the usual oath of office, which will be forwarded to the Board."

Approved unanimously.

Telegram to Mr. Wilbur, Chairman of the Federal Reserve Bank of San Francisco, authorizing him to issue a limited voting permit, under the provisions of Section 5114 of the Revised Statutes of the United States, to Transamerica Corporation, San Francisco, California, entitling such organization to vote the stock which it owns of The First National Bank of Mountain View, Mountain View, California, at any time prior to September 1, 1951, to act upon proposals (1) to increase the capital stock of such bank, and (2) to amend the articles

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of association of such bank 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 the Honorable Charles E. Wilson, Director, Office of Defense Mobilization, Washington, D. C., reading as follows:

"This refers to your letter of June 25, 1951, enclosing a copy of a letter from the Attorney General dated June 14, 1951, concerning industry advisory committees in the mobilization effort, and requesting a re-examination of the conduct of industry advisory committees in the Board of Governors of the Federal Reserve System.

"We know of no committees in the Federal Reserve System of the kind referred to in your letter which do not conform to the standards contained in the Attorney General's letter of June 14, 1951, as well as the standards contained in the letter of October 19, 1950, from Mr. Peyton Ford, Deputy Attorney General. For your information in this connection there is enclosed a copy of letter dated April 11, 1951, which the Board addressed to Mr. H. G. Morison, Assistant Attorney General, regarding this subject, together with a copy of our letter to the Federal Reserve Banks.

"You may be assured that it is the Board's desire to cooperate in this matter to the fullest extent and we would appreciate your advising us of any reports coming to your attention which involve improper practices on the part of any so-called industry advisory committees in the Federal Reserve System."

Approved unanimously.

Memorandum dated July 11, 1951, from Mr. Hooff, Assistant Counsel, recommending that there be published in the Law Department of the July issue of the Federal Reserve Bulletin statements in the

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form attached to the memorandum with respect to the following subjects:

Legislation

Extension of Defense Production Act of 1950

Rules of Procedure

Amendments

Real Estate Credit

Determination of Value of Residential Property (X-56)

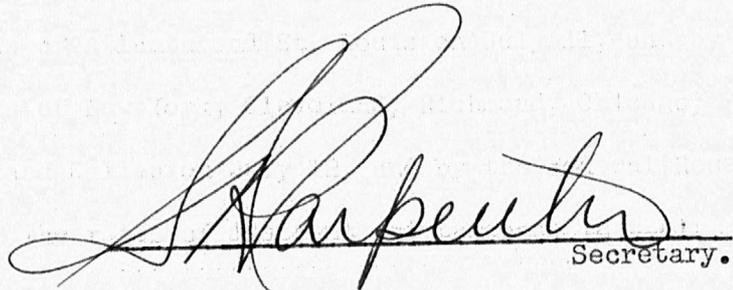
Consumer Credit

Cooking Stoves and Ranges (W-151)

Free Merchandise and Rebates (W-149)

Suction Cleaner Attachments (W-152)

Approved unanimously.



Secretary.