

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, July 20, 1951.

PRESENT: Mr. Martin, Chairman  
Mr. Szymczak  
Mr. Evans  
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 July 19, 1951, were approved unanimously.

Telegrams to the Federal Reserve Banks of New York, Philadelphia, Chicago, St. Louis, Minneapolis, and San Francisco stating that the Board approves the establishment without change by the Federal Reserve Bank of Minneapolis on July 12, by the Federal Reserve Bank of San Francisco on July 17, by the Federal Reserve Bank of St. Louis on July 18, and by the Federal Reserve Banks of New York, Philadelphia, and Chicago on July 19, 1951, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Memorandum dated July 19, 1951, from Mr. Leonard, Director, Division of Bank Operations, recommending the appointment of Miss Mary R. Lynch as a Clerk-Typist in that Division, on a temporary indefinite basis, with basic salary at the rate of \$2,955 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 9, 1951, from Mr. Carpenter, Secretary of the Board, recommending increases in the basic annual salaries of the following employees in the Office of the Secretary, effective July 22, 1951:

Name	Title	Salary Increase	
		From	To
Beatrice Hunter	Assistant Chief, Files Section	\$4,450	\$4,600
Mildred E. Pilger	Supervisor, Administrative Subject and F.O.M.C. Files	3,700	4,200
M. Elizabeth Jones	Assistant Supervisor, Administrative Subject and F.O.M.C. Files	3,850	4,075
Adaline R. Beeson	Review Classifier, Administrative Subject Files	3,275	3,475

Approved unanimously.

Memorandum dated July 9, 1951, from Mr. Carpenter, Secretary of the Board, recommending an increase in the basic salary of Miss Cornelia A. Bates, Supervisor, Non-Current Records and Records Disposal in the Office of the Secretary, from \$3,355 to \$3,575 per annum, effective July 22, 1951.

Approved unanimously.

Letter to Mr. James A. McCullough, Director, Financial Policy and Trade Development Division, Economic Cooperation Administration, 800 Connecticut Avenue, N. W., Washington, D. C., reading as follows:

"This is to inform you that the Board of Governors has approved the request contained in your letter of July 17 for the services of Miss Florence I. Jaffy, of the Financial Operations and Policy Section of the Division of International Finance, to serve as a technical adviser to Mr. Blaisdell at the Hearings in Paris before the Financial and Economic Board of NATO, during the week of July 23.

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"It is understood that the Economic Cooperation Administration will make all necessary arrangements and will bear the cost of travel, per diem, and travel insurance for Miss Jaffy's trip."

Approved, Mr. Vardaman  
voting "no".

Letter to Mr. Ferdinand Kaufholz, Jr., Deputy Director of Civil Defense for Federal Buildings, Regional Office Building, General Services Administration, 7th and D Streets, S. W., Washington, D. C., reading as follows:

"In response to Mr. Young's letter of July 13, 1951, enclosing a memorandum relative to the Civil Defense Organization to be set up in all Federally occupied buildings, you may be assured of our cooperation in this program.

"Mr. L. P. Bethea, Director, Division of Administrative Services, is authorized to act for the Board of Governors in local Civil Defense matters. Mr. Joseph E. Kelleher, Assistant Director, Division of Administrative Services, has been designated as Chief Building Warden."

Approved unanimously.

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

"This will acknowledge your letter of July 16, 1951, advising that the executive committee of the board of directors has granted a further leave of absence with pay to Mr. Miroslav A. Kriz for short periods from time to time during the summer to enable him to complete the report of his assignment with the International Bank.

"The Board of Governors will interpose no objection to the arrangements indicated in your letter."

Approved unanimously.

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Letter to the Honorable Burnet R. Maybank, Chairman, Joint Committee on Defense Production, United States Senate, Washington, D. C., reading as follows:

"In response to your letter of July 10 regarding production cut backs in the gas range industry, the attached table summarizes factory shipments of these products during the first five months of 1950 and 1951. Other data on factory production of gas ranges are not available but we believe these shipment data tend to indicate the general level and trend of output. These gas range shipment statistics are released each month by the Gas Appliance Manufacturers Association.

"The attached table reflects a rather sharp decline in shipments during the month of May but it is of some significance that total shipments for the first five months of 1951 exceed those for the comparable 1950 period by approximately 10 per cent.

"It is difficult to provide a definitive answer to your question concerning the effect of Regulation W on this particular industry. As you know, the Board has often expressed the view that it is virtually impossible to isolate the effect of consumer credit regulation on a given industry or specific commodity. All consumer durable goods are in active competition with one another for the consumer's dollar. The consumer makes the choice whether he will buy a gas range, a television set, an automobile or a refrigerator with the amount of money available for him to spend. At the present time, of course, consumer disposable income is at an all-time high and unemployment at its peacetime low.

"While it is frequently alleged that the effect of the regulation on the use of instalment credit has been drastic, by the end of May the total amount of instalment credit outstanding was apparently leveling off at approximately the volume outstanding at the end of August 1950, just before the Defense Production Act was passed. Essentially, then, the effect of the regulation has been to prevent a further expansion of the total amount of consumer instalment credit and a concomitant increase in consumer purchasing power.

"Another factor which is important in evaluating current production and shipment data in the case of certain durable

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"goods, especially cooking stoves and refrigerators, is the inventory position and policy of builders and their suppliers, who purchase these items for original installation in new homes. The current drop in factory shipments undoubtedly reflects in part the fact that there was a large volume of advance buying in these quarters last fall and winter.

"It is hoped that this information will be of assistance to the Joint Committee and if there is anything further you would like to have, please let us know. You may be assured, however, that the Board will be glad to consult with the trade at their request on this matter and will give every consideration to conditions in this industry in arriving at any decision with respect to the terms specified in Regulation W."

Approved unanimously.

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

"This refers to your letter of June 26, 1951 and its enclosures, concerning the application of Regulation W to automobile leasing arrangements proposed by Contra Costa County Schools, Martinez, California.

"Briefly, this correspondence explains that such an arrangement would involve the leasing of an automobile to County Schools and to an individual employee of County Schools who would have the vehicle available for both school business and personal use. County Schools would be obligated for two-thirds of the rental and the individual employee for one-third thereof, thus reflecting an equitable division of rental based on use. It appears that this arrangement has been proposed because it would be more economical and otherwise feasible for County Schools to lease automobiles than to acquire them by purchase or pay employees for the use of automobiles owned by them and used for school business. Apparently, it is regarded as unlawful for a political subdivision, such as County Schools, to charge for the use of its property.

"In view of section 6(d) of the regulation concerning mixed-credits, the employee's interest in the instalment lease would be subject to the regulation, while the interest therein

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"of County Schools would be exempt under section 7(d). Accordingly, a down payment or deposit in an amount equal to one-ninth (one-third of one-third) of the value of the leased automobile would have to be collected from the employee. In addition, the remaining two-thirds of one-third of the value of the automobile (plus any charges for such items - or their equivalents - that are specified for inclusion in the time balance by section 6(c)(4)), would have to be arranged for collection through rental payments scheduled in accordance with the instalment payment requirements of the regulation. If so handled, the transaction would comply with the regulation.

"It would be especially important in any such case for the Registrant to carry the transaction on his books in such a way that, under section 8(a), the special nature of the transaction and its compliance with the regulation would be readily ascertainable."

Approved unanimously.

Letter to the Honorable Charles W. Tobey, United States Senate, Washington, D. C., reading as follows:

"This refers to your communication of July 5, 1951, addressed to former Chairman McCabe, with which you enclosed a letter from Mr. James P. Mayo of Nashua, New Hampshire, relative to Regulation W concerning consumer credit. Mr. Mayo enclosed a copy of a letter he had received from the Board which said in part that good used cars continue to be available on terms from \$25 to \$50 per month. This statement was strongly disputed by Mr. Mayo in his letter to you. Mr. Mayo stated that a good used car cannot be purchased for less than \$800.

"An automobile the full price of which is \$800 can be purchased, after a down payment of one-third, on a 15 months contract for approximately \$43 per month. Automobiles selling for approximately \$950 full cash price can be purchased on monthly payments of less than \$50 including finance and interest charges under the present 15 month maturity requirements.

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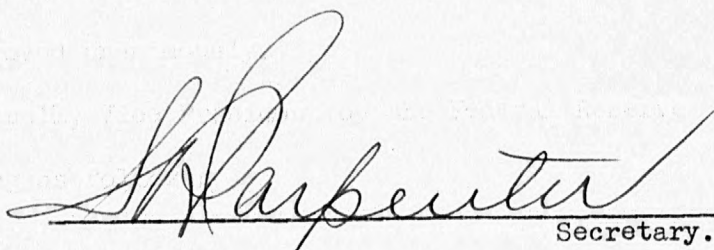
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"The statement that good used cars cannot be purchased for less than \$800, is in itself open to question. The implications of such a statement are serious and it is doubtful whether very many dealers would subscribe to it. Many good used cars costing less than \$800 continue to be sold by dealers and give good, economical transportation to those persons of moderate income who normally buy them. Our studies based on reliable information continue to show the facts to be as originally represented to Mr. Mayo. The regulation has helped rather than penalized the person of moderate or low income.

"Today the national income is at an all-time record level. Unemployment is at its lowest point in our peacetime history. Defense expenditures, which now account for less than 10 per cent of total output, are scheduled to rise sharply and may well account for as much as twice that percentage within the next twelve months. Considerable progress has been made in the past few months in stemming the tide of inflation. However, the substantial pressures on our economy resulting from the expanding defense program are still present. As you know, the Board's primary responsibility is concerned with preserving the integrity and soundness of the dollar. From this point of view, the fact is that the consumer dollar is buying more in the automobile and other durable goods field today than it would have bought in the absence of consumer credit controls.

"The Board is continually studying the effect of Regulation W in markets for regulated articles, and we appreciate the opportunity of commenting on Mr. Mayo's letter, which is returned herewith."

Approved unanimously.

  
Secretary.