

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, September 5, 1951.

PRESENT: Mr. Martin, Chairman
 Mr. Szymczak
 Mr. Evans
 Mr. Vardaman
 Mr. Norton
 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 September 4, 1951, were approved unanimously.

Memorandum dated September 4, 1951, from Mr. Sloan, Director, Division of Examinations, recommending that the resignation of Mrs. Anna F. Rockey, Clerk-typist in that Division, be accepted to be effective, in accordance with her request, at the close of business September 14, 1951.

Approved unanimously.

Memorandum dated September 4, 1951, from Mr. Bethea, Director, Division of Administrative Services, recommending that the resignation of Miss Katherine Robinson, Page in that Division, be accepted to be effective, in accordance with her request, at the close of business September 7, 1951.

Approved unanimously.

Memorandum dated August 31, 1951, from Mr. Garfield, Adviser

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On Economic Research, Division of Research and Statistics, recommending an increase in the basic salary of Philip M. Webster, Economist in that Division, from \$3,950 to \$4,600 per annum, effective September 16, 1951.

Approved unanimously.

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

"Reurtel August 31, 1951. Board approves designation of following as special assistant examiners for the Federal Reserve Bank of San Francisco.

F. M. Herring	E. J. Sadler
W. M. Konzen	H. R. Searles"
R. F. Rowe	

Approved unanimously.

Letter to Mr. C. E. Earhart, Chairman, Committee on Miscellaneous Operations, c/o Federal Reserve Bank of San Francisco, reading as follows:

"Your letter of August 31 regarding inadequate supplies of coins crossed in the mails the letter of August 30 which Mrs. Ross, Director of the Mint, wrote to the President of each Federal Reserve Bank. Enclosed for ready reference is a copy of that letter.

"We had been in touch with the Mint prior to the date of Mrs. Ross' letter. With respect to the copper situation, we were advised that the Mint had requested an allocation of one million pounds of copper for September but that the N.P.A. granted an allocation of only 550,000 pounds. Reconsideration was requested and the allocation was increased to 700,000 pounds. Allocations, however, are only hunting licenses, and it is uncertain how much metal can actually be obtained, particularly if the strike continues. The situation with respect to nickel is equally serious.

"The Director of the Mint issued a press release last Wednesday, August 29, renewing her request that small coins

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"held in savings be returned to circulation. Enclosed is a copy of that statement. (We are not responsible for the error in the last sentence of the third paragraph.)

"We trust that this information may be of some interest. We believe that some Federal Reserve Banks and branches are relatively considerably better off with respect to supply of coins than others. Perhaps during a period of short emergency some relief might be obtained by shipments of coin between Federal Reserve offices. Other than that we have no suggestions as to any action that might appropriately be taken by the System at this time to alleviate the situation."

Approved unanimously.

Letter to the Honorable Burnet R. Maybank, United States Senate, Washington, D. C., reading as follows:

"We wish to thank you for your letter of August 27, 1951, enclosing a letter from Mr. William Monroe Layton. It appears that Mr. Layton feels he is being unfairly and perhaps illegally treated by an automobile dealer or bank in connection with an automobile on which he was making payments, and he requests assistance in the matter.

"Mr. Layton states that he has retained an attorney, and that would seem to be a desirable step in such a controversy.

"On the basis of the information available from Mr. Layton's letter there does not seem to be any means by which the Federal Reserve System could be of assistance to him. However, in order that the matter may be explored more fully, and especially since Mr. Layton suggests that some of the persons involved may be violating Regulation W, we are sending a copy of his letter to the Federal Reserve Bank of San Francisco with the request that their Los Angeles Branch make appropriate inquiry into the matter. We hope that we will soon be able to advise you further in that regard.

"We are returning Mr. Layton's letter herewith as you requested."

Approved unanimously.

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Letter to the Honorable Edward J. Thye, United States Senate,
Washington, D. C., reading as follows:

"This refers to your letter of August 25, 1951, which asked the Board to give consideration to the letter you had received from Mr. G. J. Patsey, of Patsey Motors, Minneapolis, Minnesota, regarding Regulation W--Consumer Credit.

"Mr. Patsey suggests the desirability of changing the regulation to allow newly ordained clergymen a longer period to pay for the instalment purchase of automobiles than the present 18 months maximum provided under the regulation. In support of this proposal he points out that starting salaries of these men in the mission field are normally \$150 to \$200 per month and that because of the scattered parishes they take care of they must have a good automobile.

"As you know, Regulation W is a part of the Government's program to control inflation in this period of national emergency. By curbing the inflationary expansion of instalment credit, the restrictions of the regulation help to protect everyone, and particularly the lower-income groups, from the serious loss of purchasing power that results from uncontrolled inflation.

"The Board has found that relaxations of the regulation for special groups raise questions of discrimination against other groups and tend to weaken the regulation. This is particularly true where the basis for the relaxation is the low income of the group. The principle established in such relaxations would tend to be inequitable unless it were extended to all people whose incomes were insufficient to permit purchases on the prescribed terms. While we have no doubt that newly ordained clergymen perform a valuable service in their communities, there are many other groups who could support a similar claim, such as doctors, nurses, teachers, and public health and welfare workers. A relaxation for such groups, in the Board's opinion, would lead to a material weakening of the effectiveness of the regulation and therefore tend to increase the burden of inflated prices on all consumers, including those the relaxation was designed to relieve.

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"The restrictions of the regulation are, of course, far from a prohibition of instalment credit. The Board has found upon investigation that most of the lower-income people, if they have enough income to qualify for automobile instalment credit, are able to obtain adequate automobile transportation by buying a used car or a lower-priced new car. Many serviceable used cars and some new cars are available for monthly payments in the range of \$25 to \$50 under the present terms of the regulation.

"As you know, the administration of Regulation W has been decentralized among the 12 Federal Reserve Banks and their 24 branches. If Mr. Patsey has in mind any specific cases that seem to him to involve undue hardships under the regulation, or any other questions about the regulation, we are sure that officials at the Federal Reserve Bank of Minneapolis will be glad to discuss them with him."

Approved unanimously.

Letter to Mr. B. R. Kennedy, Director, Division of the Federal Register, The National Archives, Washington, D. C., reading as follows:

"In compliance with Section 302 of Executive Order No. 10182 there is enclosed a true copy of the certification with respect to the appointment by the Board of Governors of Mr. Roy L. Reiersen to assist in the responsibility of the Board under the Defense Production Act of 1950 and the duties delegated to the Board by the President in accordance with Executive Order No. 10161."

Approved unanimously.

Letter to Mr. H. V. Prochnow, Secretary, Federal Advisory Council, 38 South Dearborn Street, Chicago, Illinois, reading as follows:

"This letter is in response to yours of August 16, 1951, relating to the next meeting of the Federal Advisory Council which is to be held on September 16-18, 1951. The Board Room will be available for the Council on the afternoon of Monday, September 17, at 2:15 o'clock, and

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"the usual arrangements will be made to have a luncheon for the Council in the Blue Room on Tuesday, September 18.

"The information and material requested in the last two paragraphs of your letter will be sent to the Mayflower Hotel to be held for your arrival.

"The Board of Governors will be pleased if the following items could be added to the agenda for discussion with the Board at the joint meeting on the morning of September 18:

1. The Board would like to have any views the Council might wish to express on the prospective business and economic situation during the next six months and on the policies that should be followed by the System in the field of general credit controls.
2. What are the prospects with respect to total changes in the volume of bank loans during the rest of the current year?
3. In the event strong inflationary pressures should reassert themselves, the limitations imposed by recent legislation on the authorities of the Board over consumer and real estate credit would make it impossible for these authorities to be used effectively as instruments of selective credit regulation. What would be the recommendations of the Council as to what, if any, recommendations should be made by the Board to the Congress with respect to the removal of the limitations?
4. What comments does the Council have to make with respect to the program for voluntary credit restraint and the manner in which it has operated?
5. Is the V-loan program operating satisfactorily and to what extent is it meeting the need for defense production loans?"

Approved unanimously.

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Letter to Mr. Van Nice, Secretary, Conference of Presidents,
Federal Reserve Bank of Minneapolis, reading as follows:

"In response to your letter of August 3, the Board would like to suggest the following topics for discussion at the forthcoming joint meeting of the Presidents and the Board in October:

1. Program for enforcement of Regulations W and X.
2. The Patman Subcommittee questionnaires to the Board of Governors and the Presidents of the Federal Reserve Banks.
3. Report by Governor Powell on the voluntary credit restraint program.
4. Question whether existing group insurance contracts covering employees of certain of the Federal Reserve Banks and the Board of Governors should be continued after the effective date of the proposed contract providing group life insurance for employees on a non-contributory basis.
5. Steps that might be taken by the System to further the executive development program and plans for the replacement of officers who will retire over the next few years."

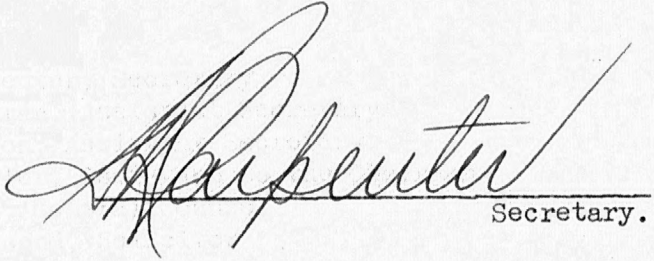
Approved unanimously.

Memorandum dated August 30, 1951, from Messrs. Carpenter and Marget, Secretary of the Board and Director, Division of International Finance, respectively, recommending that luncheons be given in the Board's dining rooms on Tuesday, September 11, and Thursday, September 13, 1951 for officials of central banks attending the Sixth Annual Meeting of the Boards of Governors of the International Monetary Fund and the International Bank for Reconstruction and Development to be held in Washington September 10-14, that the Board pay the

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cost of the luncheons, and that the appropriate item of the budget of the Division of Administrative Services be increased in that amount.

Approved unanimously.


Secretary.