

Minutes of actions taken by the Board of Governors of the  
Federal Reserve System on Monday, September 24, 1951.

PRESENT: Mr. Martin, Chairman  
Mr. Szymczak  
Mr. Powell

Mr. Carpenter, Secretary  
Mr. Sherman, Assistant Secretary

Memorandum dated September 18, 1951, from Mr. Marget, Director,  
Division of International Finance, recommending that the resignation  
of Mrs. Gretchen H. Fowler, Research Assistant in that Division, be  
accepted to be effective, in accordance with her request, at the close  
of business September 17, 1951.

Approved unanimously.

Telegram to Mr. D. K. MacDonald, D. K. MacDonald and Company,  
Seattle, Washington, prepared pursuant to the action taken on September 20,  
1951, reading as follows:

"Board of Governors of the Federal Reserve System  
has appointed you director of the Seattle Branch of the  
Federal Reserve Bank of San Francisco for two-year term  
beginning January 1, 1952.

"It is understood that you will resign as commercial  
bank director in order to qualify as director of Seattle  
Branch and that you do not hold any public or political  
office. Should your situation in these respects change  
during the tenure of your appointment, it will be appre-  
ciated if you will advise the Chairman of the Board of  
Directors of the Federal Reserve Bank of San Francisco.

"Your acceptance by collect telegram will be appre-  
ciated."

Approved unanimously.

Letter to Mr. Diercks, Vice President of the Federal Reserve  
Bank of Chicago, reading as follows:

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"In accordance with the request contained in your letter of September 18, 1951, the Board approves the appointment of Olaf Jensen as an assistant examiner for the Federal Reserve Bank of Chicago. Please advise us of the date upon which the appointment becomes effective."

Approved unanimously.

Letter to Mr. Diercks, Vice President of the Federal Reserve Bank of Chicago, reading as follows:

"In accordance with the request contained in your letter of September 18, 1951, the Board approves the appointment of Thomas William Scott as an assistant examiner for the Federal Reserve Bank of Chicago. Please advise us of the date upon which the appointment becomes effective."

Approved unanimously.

Letter to Mr. Wiltse, Vice President of the Federal Reserve Bank of New York, reading as follows:

"In accordance with the request contained in your letter of September 18, 1951, the Board approves the designation of Thomas B. Brown, Jr. as a special assistant examiner for the Federal Reserve Bank of New York."

Approved unanimously.

Letter to Mr. McCreedy, Vice President of the Federal Reserve Bank of Philadelphia, reading as follows:

"This refers to your letter of September 19, regarding the penalty of \$39.45 incurred by Union National Bank and Trust Company of Huntingdon, Huntingdon, Pennsylvania, on a deficiency in its reserves for the period ended August 15, 1951.

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"It is noted that the deficiency resulted from the fact that the subject bank inadvertently failed to mail to the Federal Reserve Bank a draft drawn on August 8 on its Philadelphia correspondent, and that this is the first deficiency since November 1937.

"In the circumstances, the Board authorizes your Bank to waive assessment of the penalty in this case."

Approved unanimously.

Letter for the signature of the Chairman to Mr. John Witter, Dean Witter & Co., 45 Montgomery Street, San Francisco, California, reading as follows:

"I am sorry that I have not been able to reply before now to your letter of August 28, 1951, regarding Regulation T -- the Board's regulation that relates to the extension and maintenance of credit by brokers, dealers and members of national securities exchanges. I have been out of town on official business and this is the first chance I have had to write to you.

"You refer to the extensions of time (for obtaining payment in a special cash account under section 4 (c) of the regulation) that an appropriate committee of a national securities exchange is authorized to grant in exceptional circumstances. With a view to eliminating requests for such extensions of time, you suggest, in effect, that brokers might be allowed to delay the collection of funds without obtaining such an extension of time from the committee.

"The Board recognizes that the extensions of time in question involve a certain amount of clerical work and expense on the part of brokers and exchanges. In that connection, it is understood that some committees having this responsibility have found that the need for requests for such extensions can be materially reduced by taking steps to impress on both brokers and customers the importance of prompt payment and also to impress on them the fact that extensions of time are to be supported by proper information and are to be availed of, as provided in the regulation, only in 'exceptional circumstances'. The Board has also attempted to reduce the need for extensions of time by making them unnecessary in as many cases

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"as seemed feasible. For example, Amendment No. 8 to Regulation T, which became effective May 1, 1949, and of which we are enclosing a copy, changed the 7-day period in connection with the special cash account from 7 calendar days to 7 full business days. Other provisions of the amendment, as well as various other provisions of section 4(c) of the regulation, also reduce or eliminate the need for extensions in a number of other circumstances.

"It is, of course, difficult to measure or appraise the effect on the securities industry or the national economy of a delay in obtaining payment in one particular transaction. It seems more realistic, however, to consider the matter in terms of the total effects-- including the consequences of a competitive spread of such practices -- that might be involved in a sizeable volume of such delays. The Board has been inclined to feel that such delays, when considered in the aggregate, entail such possibilities of misunderstanding or abuse as to make it desirable that they receive the special surveillance of an appropriate committee. In that respect, the present procedure for passing on extensions of time would seem to be a useful aid to national securities exchanges in carrying out their responsibilities to help enforce compliance with the regulation. We are by no means sure that all exchanges would be willing to discard such aid as the procedures are able to provide.

"The problem of holding clerical work and expense to a minimum is certainly one that deserves continuing study in connection with all operations and regulations, including Regulation T. That consideration was an important factor in changes in the regulation like those mentioned above, and the Board is always glad to consider any suggestions along that line. For the reasons indicated, however, the Board has felt that it would not be justified in dispensing with the requirement of prompt payment in the cash account, or with the procedures that have been worked out over the years or helping to obtain compliance with the requirement.

"I would like very much to get out to San Francisco, but unfortunately there does not seem to be much chance of my being there any time soon. Needless to say, I hope you will come in to see me if you are in Washington."



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Approved unanimously.

Telegram to the Presidents of all Federal Reserve Banks and the Vice Presidents in charge of the Detroit and Los Angeles Branches, reading as follows:

"Reference is made to the Board's letter of May 7, 1951, (V-34) with which was enclosed copy of a letter received by Governor Vardaman from Jess Larson, Administrator, General Services Administration, regarding financing machine tool manufacturers holding pool orders. Since that time, the increased production of machine tools has become more urgent and in order to help prevent a serious bottleneck from developing in this important segment of the defense program, General Services Administration has addressed the following letter to Governor Vardaman dated September 21, 1951, soliciting the aid of the Federal Reserve System in financing the machine tool industry:

'My letter of May 1, 1951 advised you of the Machine Tool Program undertaken by this Agency upon direction of the Defense Production Administration and emphasized the importance of assistance to machine tool manufacturers in the form of V loan guarantees.

'Subsequently, as a part of the program for the increase of production of metalworking tools, the Director of Defense Mobilization directed that advance payments be made in appropriate cases. Accordingly, the contract provisions were modified to permit an advance of funds up to thirty per cent of the amount of the order in the event private financing was not available on reasonable terms. However, the advance payment is not appropriate in many cases and the necessary increase of production cannot be financed solely by such means.

'In view of the urgency for increased machine tool production, this Administration is prepared to lend essential machine tool manufacturers, their subcontractors and suppliers, all possible assistance in financing production through V loan borrowings.

'Those manufacturers whose production is determined by the National Production Authority to be essential and substantially earmarked, either directly or indirectly, for the national defense, will be considered eligible for V loans to finance their current production. As substantially all

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"machine tool production is now or shortly will be earmarked for defense contractors, defense supporting industries, or foreign governments under mutual assistance programs, we will not require a borrowing formula which limits borrowings on the basis of a segregation of defense production contracts from "civilian orders".

'Even in those instances where the manufacturer does not presently hold a machine tool pool contract, this Administration is prepared, in essential and exceptional cases as determined by the National Production Authority, to authorize V loans.

'It is recognized that the requisite production of machine tools cannot be obtained without facilities expansion. In those cases where the National Production Authority determines such expansion will aid the national defense, this Administration will, to the extent necessary, guarantee V loans to finance the construction or acquisition of new facilities. In addition we will assist by installing the necessary equipment and facilities in such plants under the provisions of Section 303(d) of the Defense Production Act of 1950, as amended.

'Will you please request your member banks to so advise the financing institutions in their districts.'

"General Services Administration contemplates issuing a press statement for release in the morning papers Wednesday, September 26, regarding this program. In view of the fact that General Services Administration requests the Federal Reserve Banks to circulate the information to financing institutions in their respective districts, the content of Mr. Larson's letter is being transmitted to you by wire so that it will be available prior to the issuance of the press statement."

Approved unanimously.

Letter for the signature of the Chairman to the Honorable Edward F. Bartelt, Fiscal Assistant Secretary, Department of the Treasury, Washington, D. C., reading as follows:

"I have followed with much interest, since receiving Mr. McGrath's letter of August 22, the progress which is being

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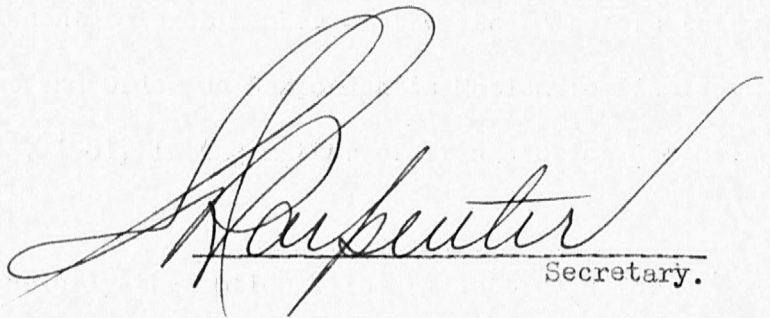
"made in the Crusade for Freedom. I can assure you my unqualified support for the cause in which you are serving so capably.

"A representative from the Board of Governors was present to hear General Clay's speech and also attended the showing of the movie, 'The Big Truth', at the Keith theater. The reports on these two meetings have been very enthusiastic and we are certainly happy to do our part in furthering the campaign.

"We have arranged for supplies of the literature and enrollment blanks and will give all of our employees an opportunity to contribute to the Crusade for Freedom. We have also arranged for showings of the film to members of the staff in our own cafeteria.

"I wish you every success in this worthy cause."

Approved unanimously.



Secretary.