

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, October 19, 1951.

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

Mr. Sherman, Assistant Secretary

Minutes of actions taken by the Board of Governors of the Federal Reserve System on October 16, 1951, were approved unanimously.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on October 17 and 18, 1951, were approved and the actions recorded therein were ratified unanimously.

Telegrams to the Federal Reserve Banks of New York, Atlanta, Kansas City and San Francisco stating that the Board approves the establishment without change by the Federal Reserve Bank of San Francisco on October 16, by the Federal Reserve Bank of Atlanta on October 17, by the Federal Reserve Bank of Kansas City on October 17 and 18, and by the Federal Reserve Bank of New York on October 18, 1951, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Telegrams to Mr. McCreedy and Mr. Dawes, Vice Presidents of the Federal Reserve Banks of Philadelphia and Chicago respectively, reading as follows:

"Reurtel October 18. Board approves effective October 22, 1951, on purchases of Government securities under resale agreement minimum rate of 1/8 per cent below average issuing rate on most recent issue of three-month Treasury bills, as authorized by Federal

10/19/51

-2-

"Open Market Committee October 4, 1951. Otherwise Board approves establishment without change of rates of discount and purchase in existing schedule.

Approved unanimously.

Letter to Mr. Hodgkinson, Chairman and Federal Reserve Agent of the Federal Reserve Bank of Boston, reading as follows:

"In accordance with the request contained in your letter of October 15, 1951, the Board of Governors approves, effective October 17, 1951, the payment of salaries to the following named members of the Federal Reserve Agent's staff at the rates indicated:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
John F. Mooney	Alternate Assistant Federal Reserve Agent	\$7,200
George E. Wells	Alternate Assistant Federal Reserve Agent	3,800"

Approved unanimously.

Letter to The Honorable, The Comptroller of the Currency, Treasury Department, Washington, D. C., reading as follows:

"This refers to our letter of September 11, 1951, requesting that a supplemental order for printing 10,000,000 sheets of Federal Reserve notes during the fiscal year ending June 30, 1952, be placed with the Bureau of Engraving and Printing. It is respectfully requested that 10,000 sheets of this total be allocated to notes of the Federal Reserve Bank of Kansas City, as shown below:

<u>Denomi- nation</u>	<u>Number of sheets</u>	<u>Amount</u>
\$50	5,000	\$3,000,000
\$100	5,000	6,000,000"

Approved unanimously.

Letter to Mr. Winthrop W. Aldrich, Chairman, Board of Directors, The Chase Bank, New York, New York, reading as follows:

10/19/51

-3-

"This refers to your letter of October 5, 1951, which was transmitted through the Federal Reserve Bank of New York, and which is with further reference to the application of The Chase Bank to purchase and hold stock of a corporation proposed to be organized under the laws of Brazil.

"As you indicate, the Board has previously considered this matter and expressed its views in its letter of April 18, 1951. That letter stated that upon presentation of a specific application for the investment by your bank in the stock of a corporation organized on the basis indicated in earlier correspondence, the Board would be prepared to take favorable action upon the application, subject to certain conditions outlined in the letter.

"In examining the documents enclosed with your letter we have been unable to find any provision covering certain conditions stated in the Board's letter of April 18, 1951, particularly in the eighth paragraph of our letter.

"As indicated in the Board's letter, these conditions are believed to be necessary and desirable applications of important principles stated in Federal statutes and Regulation K. It is assumed that The Chase Bank has in mind appropriate steps for complying with these conditions, and in order that consideration of the application may be expedited, it will be appreciated if you will advise us in that regard through the Federal Reserve Bank of New York."

Approved unanimously, for  
transmittal through the Federal Reserve Bank of New York.

Letter for the signature of the Chairman to Mr. Walter W. Stewart, Institute for Advanced Study, Princeton, New Jersey, prepared in accordance with action taken at the meeting on October 15, 1951, reading as follows:

"I am very pleased to know from Ralph Young that you will be able to serve as a special consultant to me.



10/19/51

-4-

"in shaping up my reply to the questionnaire which I have received from the Patman Subcommittee for the Joint Committee on the Economic Report. As you know, we have sixty-one questions to answer. Although we have been working diligently to develop a first draft, it will probably take some time to have in your hands all of the draft on which I will want to have the benefit of your advice and suggestions. Some draft will be forwarded to you very shortly. I would hope that you could meet with us in Washington for a few days in November. Your written suggestions, of course, would be welcome prior to that meeting.

"For whatever time you devote to this assignment, the Board has authorized a per diem compensation of \$50.00. The Board will also defray your transportation costs and provide an additional per diem allowance of \$15.00 for all time required in a travel status.

"With respect to further arrangements for this consulting work, Ralph Young will be in touch with you directly and keep you advised."

Approved unanimously, together with identical letters to Mr. Robert DeB. Calkins, Rockefeller Foundation, Rockefeller Plaza, New York, New York, Mr. E. A. Goldenweiser, 30 North Stanworth Drive, Princeton, New Jersey, Mr. Carl E. Parry, The Westchester, Washington, D. C., Mr. R. J. Saulnier, National Bureau of Economic Research, West 254th Street and Independence Ave., New York, N. Y., Professor T. W. Schultz, Department of Economics, University of Chicago, Chicago, Illinois, Professor Jacob Viner, Princeton University, Princeton, New Jersey.

Letter for the signature of the Chairman to Mr. Lucius Wilmerding, Jr., 2 Rosedale Road, Princeton, New Jersey, prepared in accordance with action taken at the meeting on October 15, 1951, reading as follows:

"I am very pleased to know that you will be able to serve as a special consultant to me in shaping up my reply to the questionnaire which I have received from the

10/19/51

-5-

"Patman Subcommittee of the Joint Committee on the Economic Report.

"As indicated in your discussion with Mr. Riefler and Mr. Young, the Board has authorized a per diem compensation of \$50.00 for whatever time you devote to this assignment. The Board will also defray your transportation costs and provide an additional per diem allowance of \$15.00 for all time required in a travel status. In discussing these arrangements with you, it may not have been entirely clear that the Board's practice is to pay a per diem to cover subsistence instead of actual costs incurred. I trust this arrangement is satisfactory to you."

Approved unanimously.

Letter to the Honorable Paul W. Shafer, House of Representatives, Washington, D. C., reading as follows:

"This refers to your note of October 11, 1951, which asked the Board to give consideration to the letter you had received from Mr. B. G. Goslin, Vice President, Sherriff-Goslin Roofing Company, Battle Creek, Michigan, regarding Regulation W--Consumer Credit.

"Mr. Goslin raises a question about the provisions of the regulation concerning the regularity of the amounts and intervals of the instalment payments on subject credits. He feels that Regulation W is inconsistent if, as he understands the regulation, it permits instalment credit for home repairs and improvements to be paid for in thirty-six substantially equal monthly payments, but does not permit such a credit with a shorter maturity to have any payment schedule agreeable to the parties.

"It would appear that Mr. Goslin may be unaware of the related provision of the regulation which permits the amount and timing of instalment payments to be adapted, within the applicable maximum maturity, to the customary flow of a purchaser's income. This provision is set forth in section 6(a) of the regulation, a copy of which is attached. The application of that provision may be helpful in some of the cases to which Mr. Goslin refers, since material variations in main sources of income would presumably be the chief reason why certain customers may be unable to make regular monthly payments. The Board has felt that the provision for adaptation

10/19/51

-6-

"of instalment payments to fluctuating incomes would take care of most cases where the requirement of regular monthly payments might be a particular burden.

"Except for such cases where there are fluctuating incomes, however, the requirement of regular monthly payments is, in the Board's opinion, essential to the effectiveness of the regulation as a means of curbing the excessive expansion of instalment credit. Instalment credits under the regulation may be renewed at any time and the renewal treated as a new extension of credit with the maturity calculated from the date of renewal. Consequently, if irregular payments or 'balloon' notes were permitted by the regulation the maturity restrictions could readily be nullified by a succession of renewals, each of which might be for as long as thirty-six months in the case of home repair and improvement credits.

"The Board is always interested in hearing the views of the people who must operate under the regulation because it is concerned that the regulation be as workable and equitable as possible.

"We are glad to have had this opportunity to comment on Mr. Goslin's letter, which is returned herewith as you requested."

Approved unanimously.

Letter to Board of Directors, Rhode Island Hospital Trust Company, Providence, Rhode Island, stating that, subject to conditions of membership numbered 1 and 2 contained in the Board's Regulation H, the Board approves the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Boston.

Approved unanimously, together  
with the following letter to Mr. Erickson,  
President of the Federal Reserve Bank of  
Boston:



10/19/51

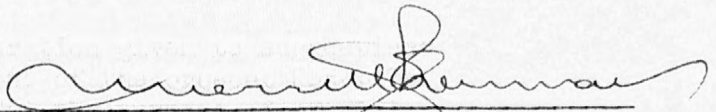
-7-

"The Board of Governors of the Federal Reserve System approves the application of the Rhode Island Hospital Trust Company, Providence, Rhode Island, for membership in the Federal Reserve System, subject to the conditions prescribed in the enclosed letter which you are requested to forward to the board of directors of the institution. Two copies of such letter are also enclosed, one of which is for your files and the other of which you are requested to forward to the Bank Commissioner, for the State of Rhode Island, for his information.

"With respect to the exceptions noted in the report of examination regarding the excessive number of directors, the interlocking bank directorates under the Clayton Act and the nonconforming savings accounts, it is assumed that you will follow to a satisfactory conclusion the matter of bringing such items into conformity with the law and the Board's regulations.

"The Board of Governors also approves the retention and operation of the present out-of-town branches of the trust company located at Newport, Cranston and East Providence, Rhode Island, which were established subsequent to February 25, 1927.

"In view of your recommendation, the Board of Governors gives its consent under the provisions of Section 18(c) of the Federal Deposit Insurance Act to the proposed absorption by the Rhode Island Hospital Trust Company of its affiliate, Rhode Island Hospital National Bank of Providence, with the understanding that Counsel for the Reserve Bank will review and satisfy himself as to the legality of the steps taken to effect the absorption. There is enclosed a letter indicating the Board's consent to the absorption to be delivered to the Board of Directors of the applicant together with a copy for your files."



Assistant Secretary.