

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, October 23, 1951.

PRESENT: Mr. Szymczak, Chairman pro tem.
Mr. Norton
Mr. Powell

Mr. Sherman, Assistant Secretary
Mr. Kenyon, Assistant Secretary

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

"In accordance with the request contained in your letter of October 17, 1951, the Board approves the appointment of John Bodnaruk, as an assistant examiner for the Federal Reserve Bank of New York. Please advise us of the date upon which the appointment becomes effective."

Approved unanimously.

Telegram to Mr. Latham, Vice President of the Federal Reserve Bank of Boston, reading as follows:

"Retel October 22, 1951. Board approves designation of Walter Orrin Farrell as a special assistant examiner for the Federal Reserve Bank of Boston."

Approved unanimously.

Letter to Mr. Weigel, Secretary of the Federal Reserve Bank of St. Louis, reading as follows:

"This refers to your letter of October 16, 1951, regarding the question whether the service of Mr. Magnus J. Kreisle as vice president and member of the board of trustees of the Evansville State Hospital would contravene the spirit of the Board's resolution of December 23, 1915, regarding the holding of political

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"or public office by officers and directors of Federal Reserve Banks, in the event that Mr. Kreisle should be elected a Class A director of your Bank.

"It is understood that, under Indiana statutes, the board of trustees of the Evansville State Hospital consists of four members appointed by the Governor, of whom not more than two shall be members of the same political party, and that the only compensation received by members of the Board is \$300 per year plus expenses not to exceed \$125. It is noted that the hospital board in this case is similar to and is governed by the same statute as the board of trustees of the Madison State Hospital, and that the Board in its wire of January 28, 1946, offered no objection to the service of a member of that board of trustees as a director of your Louisville Branch. It is also noted that it is the opinion of your Counsel that Mr. Kreisle's service on the board of trustees of the Evansville State Hospital would not violate the Board's 1915 resolution.

"In the circumstances, the Board would offer no objection to Mr. Kreisle's service as a member of the board of trustees of the Evansville State Hospital if he should be elected a director of your Bank."

Approved unanimously.

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

"Thank you for your letter of October 17, 1951, advising the Board of an arrangement making the services of Mr. Horst Mendershausen available from time to time to the President's Materials Policy Commission. It is noted that Mr. Mendershausen receives no salary from the Federal Reserve Bank while working with the Commission and that this arrangement will continue through the end of this year.

"The Board of Governors will interpose no objection to the plans stated in your letter."

Approved unanimously.

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Letter to Mr. Dick Price, President, Chrysler-DeSoto-Dodge-Plymouth Dealers Association, Inc., 2011 North Harwood, P.O. Box 1323, Dallas, Texas, reading as follows:

"Thank you for your letter of October 9, 1951, enclosing copies of Resolutions adopted by the Board of Governors of the Chrysler-DeSoto-Dodge-Plymouth Dealers Association, Inc., at a meeting held in St. Louis, Missouri, September 23-25, 1951.

"We note that the Resolutions request relaxation of Regulation W to provide a maximum maturity of 24 months for used and for new automobiles.

"The principal purpose of the regulation is to curb excessive expansion of instalment credit in order to help restrain the serious inflationary dangers arising out of the defense program. Instalment credit outstanding increased 155 million dollars in August, or at an annual rate of about 1.9 billion, following the relaxation of Regulation W on July 31, 1951, pursuant to the directive of Congress in the amendments to the Defense Production Act. With automobile demand currently exceeding production, and further cutbacks in production scheduled because of material shortages, a further increase in demand such as would be induced by easing of credit terms would not increase the supply of automobiles but would tend to make it more difficult for everyone, particularly those in the lower income groups, to obtain automobiles.

"Accordingly, the Board believes that a relaxation of the regulation at this time would be inconsistent with the purposes of the Defense Production Act and contrary to the public interest."

Approved unanimously, with
a copy to the Honorable Burnet R.
Maybank, Chairman, Senate Banking
and Currency Committee, United States
Senate, Washington, D. C.

Letter to the Presidents of all Federal Reserve Banks, reading
as follows:

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"Reference is made to the Board's telegram of September 12, 1951, regarding two questions relating to expenses it was anticipated would be included in the questionnaire of the Subcommittee on the Economic Report.

"The printed questionnaire has, as you know, now been received, and, with respect to Question E.27 (No. 1 in the above-mentioned telegram), a few minor changes have been made and the following sentence has been added: '(This question is to be answered in collaboration with the Presidents of the Federal Reserve Banks.)'

"Accordingly, we are enclosing a copy of the first draft of that part of the reply to E.27 which deals with Reserve Bank expenses and would appreciate it if you would review it carefully and furnish the Board with your comments, criticisms, or suggestions as soon as practicable. The draft has been prepared by certain members of the staff with limited consultation with other members. It has not been discussed by the staff generally, with the Chairman, or with any other member of the Board.

"With respect to the excerpts quoted, we realize, of course, that the replies to the Board's telegram were not prepared with the thought that they would be quoted. It is probable, however, that each Bank's reply will be printed, and this portion of the proposed reply should, therefore, receive special attention. For this reason, especially, we feel that it is important that the question be adequately answered by each Bank. It is our view, however, that the replies from individual Banks need not be uniform in approach or in length, and that the informative, even informal, quality of them as they now stand is impressive.

"With reference to the tabulation of expenses, we have rearranged some of the data submitted, and, in addition, have tentatively eliminated certain items. Other items may be eliminated later. For the convenience of your Bank in checking the tabulation, any items eliminated or combined are shown on a typewritten slip sheet.

"The full first draft of the reply to this question, which will not be completed until the Reserve Banks review their preliminary material, will be sent to you for your information."

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Approved unanimously.

Wm. L. ...
Assistant Secretary.