

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, October 30, 1951. The Board met in the Board Room at 10:30 a.m.

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

Mr. Carpenter, Secretary  
Mr. Sherman, Assistant Secretary  
Mr. Murff, Assistant Secretary  
Mr. Kenyon, Assistant Secretary  
Mr. Thurston, Assistant to the Board  
Mr. Riefler, Assistant to the Chairman  
Mr. Thomas, Economic Adviser to the Board  
Mr. Vest, General Counsel  
Mr. Townsend, Solicitor  
Mr. Fauver, Assistant Director, Division  
of Selective Credit Regulation  
Mr. Youngdahl, Chief, Government Finance  
Section, Division of Research and  
Statistics  
Mr. Leach, Economist, Division of Research  
and Statistics

Mr. Thomas reported on recent developments in the Government securities market, and at the close of his report Messrs. Youngdahl and Leach withdrew from the meeting.

Mr. Norton referred to a memorandum from the Personnel Committee, a copy of which was sent to each member of the Board under date of September 27, 1951, with respect to the midyear review of the Board's 1951 budget and the proposed form and scope of the budget for 1952. He stated that in making the review of the performance under the 1951 budget in accordance with the statement of budget principles and procedures adopted by the Board on June 12, 1951, the Personnel Committee had held discussions with

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all division heads and had visited all offices and divisions of the Board. In this connection, Mr. Norton called attention particularly to the following paragraph contained in the above-mentioned memorandum:

"In making this study, the Committee found the various division heads and their personnel to be responsive and cooperative in every way; it is the considered opinion of the Committee that the staff is alert, diligent, and capable."

Mr. Norton went on to say that the Committee would like to have the benefit of any suggestions which any member of the Board might wish to make on the 1951 budget performance or in connection with preparation of the 1952 budget, that it had hoped the matter could be discussed at a meeting when Mr. Vardaman was present, but that in view of the preliminary work to be done before next year's budget could be submitted for the consideration of the Personnel Committee or the Board, he had brought the matter up at this meeting so that the Board could give any instructions it might wish to issue as to how the Committee should now proceed, particularly as to whether any activities presently being carried on should be eliminated in preparing budget estimates for 1952.

In response to a question from Chairman Martin as to a time for consideration of the budget by the Board after Mr. Vardaman had returned, Mr. Norton said that if the staff could proceed to prepare the 1952 budget in accordance with a form and draft of instructions prepared by the Budget Officer for the Personnel Committee, he hoped it would be possible for the Committee to have a preliminary budget for next year by the end of November.

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He emphasized, however, that in view of the work involved in assembling the required data, which had already been delayed considerably, it would be necessary to proceed without further delay if this were to be accomplished.

During the ensuing discussion, none of the members of the Board who were present indicated that there should be any change in the anticipated scope of activities of the Board, and Chairman Martin suggested that in the absence of objection, it be understood that the staff would proceed with the preparation of the 1952 budget for the consideration of the Personnel Committee and the Board in accordance with the procedure adopted on June 12, 1951.

This suggestion was approved unanimously.

Mr. Murff withdrew from the meeting at this point.

Mr. Norton then referred to his memorandum dated October 29, 1951, copies of which were sent to the members of the Board before this meeting, stating that consideration was being given to an amendment to Regulation W, Consumer Credit, which would exempt instalment credits to purchase pre-1946 model automobiles and recommending that the staff be authorized to survey the Federal Reserve Banks and hold consultations with the automobile and financing trades with a view toward developing a recommendation to the Board as to such an amendment. He added that the matter had been discussed by telephone with Mr. Evans, who had expressed the view that the proposed amendment should be explored and who had also commented that the elimination



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of such automobiles from the scope of the Regulation would seem to be desirable.

Following a discussion, the recommendations in Mr. Norton's memorandum of October 29, 1951, were approved unanimously, with the understanding that a notice also would be placed in the Federal Register inviting comments concerning the proposed amendment.

At this point all of the members of the staff with the exception of Messrs. Carpenter, Sherman, and Kenyon withdrew, and the action stated with respect to each of the matters hereinafter referred to was taken by the Board:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on October 26, 1951, were approved unanimously.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on October 29, 1951, were approved and the actions recorded therein were ratified unanimously.

Memorandum dated October 29, 1951, from Mr. Bethea, Director, Division of Administrative Services, recommending the appointment of Miss Etta M. Bailey as a Page in that Division, on a temporary indefinite basis, with basic salary at the rate of \$2,500 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 October 29, 1951, from Mr. Bethea, Director, Division of Administrative Services, recommending the appointment of Merrill W. Snider as a Key Punch Operator in that Division, on a temporary basis for a period of six months, with basic salary at the rate of \$3,030 per annum, effective as of the date upon which he enters upon the performance of his duties after having passed the usual physical examination and subject to the completion of a satisfactory employment investigation.

Approved unanimously.

Letter to Mr. Harvey, Vice President and Cashier of the Federal Reserve Bank of Boston, reading as follows:

"In view of the circumstances described in your letter of October 25, 1951, the Board of Governors approves the payment of salary to the following employees at the rates indicated, which exceed the maximum established for the grades in which the respective positions are classified:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
Loretto Bishop	Invoice Clerk, Expense Department	\$2,970
Raymond Stanley	Adjustment Clerk, Check Collection Dept.	3,700
Joseph E. O'Brien	Adjustment Clerk, Check Collection Dept.	3,600"

Approved unanimously.

Letter to Mrs. Valerie R. Frank, Secretary of the Retirement System of the Federal Reserve Banks, c/o Federal Reserve Bank of New York, reading as follows:

"For the reasons outlined in your letter of October 25, 1951, the Board of Governors approves the extension

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"of inactive membership in the Retirement System of the Federal Reserve Banks until the date of their re-employment with the Detroit Branch for the two employees, Grace C. L. Mundt and Margaret T. Wisniewski."

Approved unanimously.

Telegram to the Presidents of all Federal Reserve Banks, except Boston, New York, and Philadelphia, reading as follows:

"To throw some light on the question whether there has been a substantial change since a year ago in volume and terms of loans to finance cattle in feed lots and on ranges or to increase breeding herds, please contact representative banks in your district engaged in making such loans with a view to your answering the following specific questions and explaining in a general way any reported changes:

- A. Is there any indication that (a) the amount loaned per head or (b) term of (1) feed-lot loans or (2) range loans have been changed in the last two months as compared with a year ago, and if so, how?
- B. Is there any indication that such loans are being renewed or extended to a greater extent now than a year ago?
- C. Approximately what percentage change has there been in the (a) volume of loans and (b) number of borrowers for these purposes compared with a year ago?
- D. Is there any indication that funds for such loans are being solicited or received from correspondent banks and other sources in regions outside of your trade territory? If so, from what sources?
- E. Is there any indication that cattle ranges are overstocked at the present time in relation to feed supplies?
- F. Indicate the factors that are important in the current increase in cattle numbers.
- G. What principal factors account for the reported shifts in the proportions of cattle being shipped to the principal markets as compared with last year?



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"Please supplement your answers with statistics comparing agricultural loans of representative banks engaged in cattle financing on the basis of June 30 and October 10, 1951 call reports compared with corresponding reports for 1950, and where substantial changes are shown please indicate, on the basis of such general information as you have, whether the changes probably reflect changes in cattle loans.

"It will be appreciated if you will telegraph your answers to above questions as early as practicable so that they may be summarized in time for the November 15 meeting of the Voluntary Credit Restraint Committee."

Approved unanimously.

Letter to The Jefferson County National Bank of Watertown, c/o

The Watertown National Bank, Watertown, New York, reading as follows:

"This refers to the resolution adopted on January 11, 1951, by the board of directors of your bank, signifying the bank's desire to surrender its right to exercise fiduciary powers heretofore granted to it.

"The Board, understanding that your bank has been discharged or otherwise properly relieved in accordance with the law of all of its duties as fiduciary, has issued a formal certificate to your bank certifying that it is no longer authorized to exercise any of the fiduciary powers covered by the provisions of section 11(k) of the Federal Reserve Act, as amended. This certificate is enclosed herewith.

"In this connection, your attention is called to the fact that, under the provisions of section 11(k) of the Federal Reserve Act, as amended, when such a certificate has been issued by the Board of Governors of the Federal Reserve System to a national bank, such bank (1) shall no longer be subject to the provisions of section 11(k) or the regulations of the Board of Governors of the Federal Reserve System made pursuant thereto, (2) shall be entitled to have returned to it any securities which it may have deposited with the State authorities for the protection of private or court trusts, and (3) shall not exercise thereafter any of the powers granted by section 11(k) without first applying for and obtaining a new permit to exercise such powers pursuant to the provisions of section 11(k).

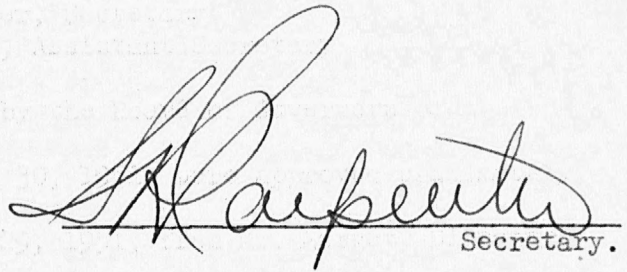
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"Since it may be necessary for you to file a certified copy of the Board's certificate with the State authorities in connection with the release of the securities which you have deposited with them, such copy is enclosed herewith."

Dr. Boston

Approved unanimously.

Mr. Carpenter, Secretary  
Mr. Sherman, Assistant Secretary

  
Secretary.

Minutes of meeting held by the Board of Directors of the Federal Reserve Bank of Boston, Massachusetts, on October 30, 1951.

Resolution of International Finance, recommending an increase in the rate of interest on deposits in the Federal Reserve Bank of Boston, from 2.25% to 2.50% per annum, effective November 1, 1951.

Resolution of International Finance, recommending an increase in the rate of interest on deposits in the Federal Reserve Bank of Boston, from 2.25% to 3.00% per annum, effective November 1, 1951.

Letter to Mr. W. E. Pierpont, Vice President, University of Michigan, regarding the purchase of bonds for the University of Michigan.