

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, November 1, 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. Vest, General Counsel  
Mr. Allen, Director, Division of  
Personnel Administration

The Secretary stated that in accordance with the action taken by the Board on July 17, 1951, a group life insurance contract had been negotiated with the Connecticut General Life Insurance Company covering the employees of the Federal Reserve Banks and the Board of Governors, and that the draft of contract was sent to the Federal Reserve Banks with the Board's letter of October 16, 1951. He also said that the Insurance Department of the State of Illinois, where the application would be executed and the contract delivered, had suggested certain minor changes in the contract which had been incorporated, that Mr. Young, President of the Federal Reserve Bank of Chicago, had advised that he had received from the Federal Reserve Banks and the Board of Trustees of the Retirement System authorizations for the execution of the application on their respective behalfs, and that if the Board of Governors was prepared to authorize the Bank to execute the application on behalf of the Board, Mr. Young would sign the application for the policy in Chicago today with the understanding that the contract

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would become effective as of 12:01 a.m. on November 1.

Mr. Szymczak stated that he and Mr. Norton had participated in the negotiation of the contract and had reviewed the changes proposed by the Insurance Department of Illinois and recommended to the Board that the amended contract be approved. He added that the proposed contract had been cleared with the Salary Stabilization and Wage Stabilization Boards. Mr. Szymczak pointed out that the maximum amount of insurance provided by the contract for any one employee would be limited to \$20,000 and that, while under the law the Connecticut General Life Insurance Company could not guarantee the amount of the net premium cost of the contract, the competitive bid submitted by the Company was based on the present dividend formula which would not be changed without a compelling reason.

It was also stated that the bid of the Connecticut General was the lowest submitted by any of the insurance companies invited to bid and that the opinion had been expressed by the firm of Towers, Perrin, Forster and Crosby, of Philadelphia, who had served as consultants in the negotiation of the contract, that as a practical matter any reputable company would be very loath to deviate from the net premium estimates which had been submitted.

Upon motion by Mr. Norton the proposed contract was approved and unanimous approval was given to the following telegram to Mr. Young, President of the Federal Reserve Bank of Chicago:

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"With reference to the Board's letter of October 26, 1951, relating to the proposed contract for group life insurance for Federal Reserve System employees, your Bank is hereby authorized to execute the application for such group life insurance on behalf of the Board of Governors."

In connection with the above matter unanimous approval was also given to an increase in the appropriate classification of the Board's budget for 1951 by an amount equal to the first annual premium covering employees of the Board under the group insurance policy.

At this point all of the members of the staff with the exception of Mr. Carpenter 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 31, 1951, were approved unanimously.

Memorandum dated October 30, 1951, from Mr. Williams, Assistant Director, Division of Research and Statistics, recommending that the resignation of Donald Fort, Economist in that Division, be accepted to be effective, in accordance with his request, at the close of business October 31, 1951.

Approved unanimously.

Memorandum dated October 30, 1951, from Mr. Williams, Assistant Director, Division of Research and Statistics, recommending that the resignation of Alfred H. Conrad, Economist in that Division, be accepted to be effective, in accordance with his request, at the close of business

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October 28, 1951.

Approved unanimously.

Memorandum dated October 29, 1951, from Mr. Powell, recommending an increase in the basic salary of Miss Helen B. Wolcott, Secretary to Mr. Powell, from \$5,200 to \$5,500 per annum, effective November 11, 1951.

Approved unanimously.

Memorandum dated October 29, 1951, from Mr. Williams, Assistant Director, Division of Research and Statistics, recommending an increase in the basic salary of Mrs. Elizabeth B. Sette, Economist in that Division, from \$5,685 to \$5,810 per annum, effective November 11, 1951.

Approved unanimously.

Memorandum dated October 30, 1951, from Mr. Bethea, Director, Division of Administrative Services, recommending an increase in the basic salary of Arthur S. Myers, Operating Engineer in that Division, from \$3,635 to \$3,735 per annum, effective November 11, 1951.

Approved unanimously.

Memorandum dated October 30, 1951, from Mr. Marget, Director, Division of International Finance, recommending an increase in the basic salary of Miss Eleanor M. Ballinger, Research Assistant in that Division, from \$3,190 to \$3,410 per annum, effective November 11, 1951.

Approved unanimously.

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Letter to Mr. Milton Rosen, Commissioner of Public Works,  
Department of Public Works, St. Paul, Minnesota, reading as follows:

"This refers to your letter of October 17, 1951 concerning the application of Regulation W to garbage incinerators. In this connection, you indicate that individually owned domestic incinerators offer a solution to the garbage and trash disposal problem that has arisen in the City of St. Paul because of the growing inadequacy in the number of farmers collecting garbage under the present licensing system. You point out in addition that while a number of such incinerators are being installed in compliance with the prevailing terms of the regulation, a much greater number must be installed if an adequate system of garbage disposal is to be maintained.

"By an interpretation published at page 1310 of the 1950 Federal Reserve Bulletin, and at page 6630 of 15 Federal Register, October 3, 1950, the Board took the position that garbage incinerators were covered by the regulation as residential repairs, alterations, or improvements and, therefore, were subject to the applicable down payment or maximum loan value, monthly payment and maximum maturity provisions of the regulation. The present required down payment is 10 per cent (maximum loan value 90 per cent), and the maximum maturity is 36 months. However, you referred to section 7(m) of the regulation as possibly affording an exemption in the circumstance described in your letter.

"As you indicated, the exemption contained in section 7(m) applies, in certain limited cases, to the installation of sewerage and necessary related facilities (including plumbing and plumbing fixtures). However, by the specific language of that section, it does not apply unless the particular installation is 'required in order to comply with a statute, ordinance, or regulation of the United States, a State or political subdivision thereof'. The 1949 ordinance referred to in your letter appears merely to specify the intervals for garbage collection. If, in a given case, the ordinance constituted a requirement, there would remain the question whether the particular installation so required otherwise satisfied section 7(m).

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"In specifying the terms applicable to home modernization and repair, an important consideration was the necessitous nature of some such work. The low down payment of ten per cent, together with the extended maturity of 36 months, reflect an effort by the Board to accommodate such cases in a manner consistent with the purposes of the regulation and statute. In other areas covered by the regulation, a substantially higher down payment is required, and the maximum maturity is only half as long.

"The Board is not unmindful of the difficulties that appear to have arisen in your city, and the matter has received its sympathetic consideration. However, on the basis of the facts and circumstances as presented in your letter, it does not appear that the present regulation affords an applicable exemption of the kind suggested. However, if there are other or additional aspects of this matter which you desire to call to our attention, we will be glad to reconsider the matter in that light."

Approved unanimously, with a  
copy to Mr. Strotzman, Vice President  
of the Federal Reserve Bank of Minneapolis.

Letter to Mr. William H. Fletcher, First Vice President of the  
Federal Reserve Bank of Cleveland, reading as follows:

"Receipt is acknowledged of your letter of October 22, 1951, regarding the case of Best Radio Shop, Cleveland, Ohio, which was referred to the Board because of alleged violations of Regulation W.

"You state that, pursuant to a request by Mr. Townsend, your Bank endeavored to obtain customer statements in connection with the alleged violations, but that your investigators did not obtain any evidence of willful violations although they attempted interviews in connection with almost half of the transactions of which you have a record. Moreover, a reinvestigation which was recently made of this registrant's place of business with respect to transactions subsequent to your disciplinary conference on June 8 disclosed no violations of the regulation. In the

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"circumstances you recommend that no proceedings against this registrant be instituted at this time.

"The Board agrees with your recommendation."

Approved unanimously.

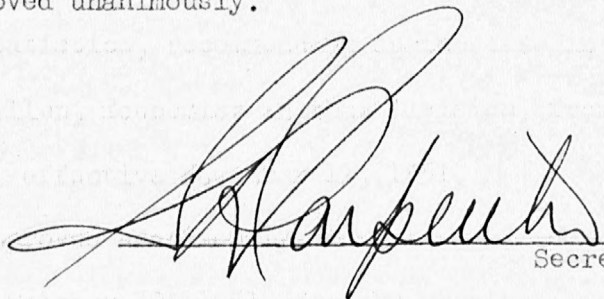
Notice for publication in the Federal Register, prepared in accordance with the action of the Board on October 30, 1951, reading as follows:

"Regulation W - Consumer Credit - issued by the Board of Governors of the Federal Reserve System pursuant to section 601 of the Defense Production Act of 1950, as amended, regulates instalment credit, including such credit in connection with the purchase of certain articles listed in Part 1 of section 9 (the Supplement to the regulation). Among these articles are 'Automobiles' as listed in Item 1, Group A, Part 1 of such section 9.

"The Board is considering whether or not it would be practicable and otherwise appropriate to exclude from Item 1, Group A, Part 1 of section 9 (the Supplement to the regulation) older model used automobiles.

"To aid in the consideration of this matter, the Board will be glad to receive from interested persons any relevant explanations, data, or other information. Any such material should be submitted in writing to be received by the Board not later than November 15, 1951."

Approved unanimously.

  
Secretary.