Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, November 15, 1951. The Board met in the Board Room at 11:05 a.m.

PRESENT: Mr. Szymczak, Chairman pro tem.

Mr. Norton

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Thurston, Assistant to the Board
Mr. Riesler, Assistant to the Chairman
Mr. Thomas, Economic Adviser to the Board
Mr. Leonard, Director, Division of Bank Operations
Mr. Marget, Director, Division of International Finance
Mr. Solomon, Assistant General Counsel
Mr. Dembitz, Assistant Director, Division of International Finance

Mr. Norton referred to a memorandum prepared by Mr. Leonard, under date of November 14, 1951, relating to the proposed air conditioning and building alteration program of the Federal Reserve Bank of Philadelphia, copies of which had been sent to all members of the Board before this meeting. He stated that President Williams and Vice President Poorman of the Philadelphia Bank called to discuss the program yesterday.

At Mr. Norton's request, Mr. Leonard stated that on July 21, 1950 the Board authorized the Philadelphia Bank to proceed with the program recommended by the Bank's building committee and approved by its directors which would call for the addition of two floors to the main Bank building, the completion of air conditioning of the entire Bank, and the installation on one of the new floors of the air conditioning equipment. Subsequently, Mr. Leonard stated, the Board considered the policy to be followed in undertaking building programs at the Federal Reserve Banks and branches and on
August 4 he talked by telephone with First Vice President Davis in the absence of President Williams, stating that it was the Board's view that it would be inappropriate to proceed with the proposed work except in the most urgent and necessary circumstances, and that while bids should not be called for until the Board had reviewed the matter again it would be in order for the Reserve Bank to proceed with development of its plans.

Mr. Leonard also said that in their comments yesterday Messrs. Williams and Poorman stressed the need for air conditioning and providing the 7,000 square feet additional office space, adding that the building additions would be largely reinforced concrete and that John McShain, a Philadelphia contractor, had advised recently that material was available and that he could do the work. Mr. Leonard added that the program as submitted by the Bank provided for new elevators, new lighting in the main building, and modernization of some of the plumbing facilities, all of which in his opinion were badly needed. The program also called for enlargement of the balcony into a mezzanine above the first floor of part of the building to provide 3,600 square feet of office space. The cost of the modernization program would be approximately $485,000 which would bring the total cost to approximately $2,150,000.

Mr. Norton then referred to letters from the Federal Reserve Bank of Atlanta, dated November 1 and November 2, 1951, requesting authority to enter into a lease-purchase arrangement for the Silvey Building for a period of 5 years at a net rental, exclusive of real estate commission,
of $25,000 per annum to the owner with the understanding that if the 

Present owner of the building (who was about 90 years of age and quite 
ill) dies within 5 years from the date of the contract the Federal Reserve 
Bank would purchase the building at the expiration of the 5-year lease 
at a cost of $300,000. The proposed arrangement would also provide that 
should the owner be living at the end of 5 years, the lease would continue 
at the same rental but there would be a reduction of $5,000 in the pur-
chase price of the property for each subsequent year that the lease might 
be in effect.

During the foregoing statements Messrs. Thurston and Riefler with-
drew from the meeting and during the ensuing discussion Mr. Vardaman entered 
the room.

Mr. Norton outlined to Mr. Vardaman the substance of the proposals 
by the Philadelphia and Atlanta Banks and stated that he would recommend 
approval of both requests.

During the ensuing discussion Mr. Vardaman stated that he had not 
previously been familiar with the proposal of the Atlanta Bank but that on 
the basis of the explanation given by Mr. Norton he would vote to approve 
his recommendation. With respect to the Philadelphia proposal, Mr. Vardaman 
asked whether the Bank had attempted to sell its present building with a 
view to constructing a new one, and Mr. Leonard stated that prior to July 
1950 the Bank looked into that question fully and reached the conclusion 
that it would not be practicable to follow such a program, after which it 
submitted the program which was approved by the Board on July 21, 1950.
Mr. Norton stated that he discussed with Messrs. Martin and Powell the proposal of the Philadelphia Bank, explaining that he contemplated recommending to the Board that the Philadelphia Bank be authorized to proceed with the program as outlined subject to its obtaining the necessary construction authorizations and permits from the National Production Authority and with the understanding that before contracts were awarded the bids would be submitted to the Board for consideration. He added that both Mr. Martin and Mr. Powell stated that if they were present at the meeting when the matter was discussed they would vote to approve the recommendation with respect to the Philadelphia Bank.

Following further discussion, upon motion by Mr. Norton, unanimous approval was given to letters in the following form:

Letter to Mr. Williams, President, Federal Reserve Bank of Philadelphia

"Governor Norton reported to the Board the substance of the conversation you and Mr. Poorman had with him Tuesday regarding the building changes and modernization program, as outlined in the analysis of estimated costs, dated October 17, 1951, copies of which you left with him."

"The Board will interpose no objection to your Bank's proceeding with the program as outlined, subject of course to your obtaining the necessary construction authorizations and permits from the National Production Authority, and provided that the costs for the various projects are in reasonable agreement with the estimates submitted. It is understood that, in accordance with the usual procedure, before contracts for the work are awarded the bids will be submitted to the Board for consideration."

Letter to Mr. Bryan, President, Federal Reserve Bank of Atlanta
"This refers to Mr. Clark's letter of November 1 and your letter of November 2, 1951, concerning the proposed lease-purchase arrangement for the acquisition of the Silvey Building.

"The Board has considered the matter and will interpose no objection to the completion of the lease-purchase contract providing for a net rental, exclusive of real estate commission, of $23,000 per annum to the owner during a period of five years and for purchase of the property by the Reserve Bank at the end of that period at a cost of $300,000. It is understood, however, that should the owner be living at the end of the five years, the lease would continue at the same rental, but there would be a reduction of $5,000 in the purchase price of the property for each subsequent year that the lease might be in effect."

Mr. Leonard withdrew from the meeting at this point.

Mr. Szymczak referred to a memorandum from Mr. Marget dated November 6, 1951 with respect to United States gold policy, copies of which were sent to all members of the Board before this meeting. He stated that the International Monetary Fund had recently adopted a decision modifying its position with respect to gold transactions at premium prices and that although the Fund reaffirmed its belief that "to the maximum extent practicable gold should be held in official reserves rather than go into private hoards", it had decided to leave entirely to member countries the problem of regulating gold transactions at premium prices in such a way as to achieve the objectives indicated. This decision, Mr. Szymczak said, was based on the Fund's recommendation that it could not expect all members to take uniform measures in the limiting of international premium transactions and that it could not itself pass judgment on member countries' measures. Mr. Szymczak said that the United States Treasury in concurring with the Fund decision indicated that it planned to continue
in effect existing gold practices and procedures and in this connection
he referred to the Treasury-Federal Reserve statement issued on June 18,
1947 which contained the following statement:

"In view of these circumstances, and on general
grounds of the national policy, the Treasury Department
and the Board of Governors of the Federal Reserve System
request American individuals, banks and business enter-
prises to refrain from encouraging and facilitating this
traffic and in particular to refrain from extending the
use of their facilities and funds for the carrying out
of such transactions."

Mr. Szymczak stated that the 1947 statement on gold policy could
not be formally withdrawn at the present time without giving rise to debate
and to probable misunderstanding as to the policy of this country with
respect to the maintenance of the present official price of gold, and that
it was proposed, therefore, that the Board reach an understanding with the
Treasury as to a uniform reply to be made to inquiries that might be re-
ceived from American banks on this subject.

Mr. Szymczak went on to say that the Fund's change in its position
would also undoubtedly result in questions from United States gold mining
companies as to maintenance of the official price of $35 an ounce for gold,
that Chairman Martin, Mr. Sproul, President of the Federal Reserve Bank of
New York, and he had discussed the matter, and that there had been informal
discussions with members of the Treasury staff of two possible alternatives,
namely, (1) to maintain in force the existing domestic gold regulations in-
cluding Treasury sales at $35 an ounce for industrial production or artistic
uses but to permit exports of gold from new production for these uses at


world market prices, (2) to discontinue all sales of gold by the United States Treasury for non-monetary uses but to permit licensed users of gold in the United States to satisfy their requirements at world prices either from domestic producers or by import.

Mr. Norton moved that the matter be referred to Chairman Martin and Mr. Szymczak with power to act.

This motion was approved unanimously.

At this point all of the members of the staff with the exception of Mr. Carpenter withdrew and Mr. Powell, a member of the Board, and Mr. Young, Director of the Division of Research and Statistics, joined the meeting.

Mr. Vardaman referred to a memorandum dated November 8, 1951, from Mr. Young recommending approval of the resumption of the annual retail credit survey to cover the year 1951. The reasons for the recommendation were outlined in the memorandum and, in response to Mr. Vardaman's inquiry, Mr. Young commented briefly as to why he felt the survey should be undertaken.

After a discussion, during which Mr. Vardaman stated that he did not think the survey was necessary and that he would be opposed to it for that reason, it was understood that the memorandum would be placed on the docket for consideration at the next meeting of the Board.

Mr. Norton reviewed the discussion that had taken place earlier during this meeting with respect to proposed building air conditioning and alteration operations at the Federal Reserve Bank of Philadelphia.
11/15/51

-8-

and the purchase of the Silver property by the Federal Reserve Bank of Atlanta. Mr. Powell stated that he wished to be recorded as voting in favor of both proposals.

At this point Mr. Young 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 November 14, 1951, were approved unanimously.

Memorandum dated November 13, 1951, from Mr. Bethea, Director, Division of Administrative Services, recommending increases in the basic annual salaries of the following employees in that Division, effective November 25, 1951:

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Salary Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lela M. Wilson</td>
<td>Cafeteria Helper</td>
<td>$2,500 to $2,630</td>
</tr>
<tr>
<td>Herbert W. Bundy</td>
<td>Operator, Mimeograph</td>
<td>$2,922 to $3,032</td>
</tr>
</tbody>
</table>

Approved unanimously.

Memoranda recommending that the resignations of the following employees be accepted, effective the dates indicated:

<table>
<thead>
<tr>
<th>Date of Memorandum</th>
<th>Name and Title</th>
<th>Effective date</th>
</tr>
</thead>
<tbody>
<tr>
<td>11/3/51</td>
<td>Memorandum from Mr. Leonard, Director, Division of Bank Operations</td>
<td>11/3/51</td>
</tr>
<tr>
<td></td>
<td>Willis H. Underwood, Jr., Analyst</td>
<td>11/3/51</td>
</tr>
<tr>
<td></td>
<td>Memorandum from Mr. Sloan, Director, Division of Examinations</td>
<td>11/3/51</td>
</tr>
</tbody>
</table>
Date of Memorandum 11/14/51
Name and Title Effective date
Miss Irene Burns, Clerk-typist 11/7/51
Philip C. Rachford, Assistant Federal Reserve Examiner 11/25/51

Approved unanimously.

Letter to Mr. Leach, President of the Federal Reserve Bank of Richmond, reading as follows:

"Reference is made to your letter of October 29, 1951, requesting the Board of Governors to approve an increase of approximately 7 per cent in the salary structure of the Federal Reserve Bank of Richmond.

"The Board of Governors approves the following minimum and maximum salaries for the respective grades for the Federal Reserve Bank of Richmond, including the Branches, effective January 1, 1952, provided the necessary clearance for such structural adjustment is received from the Salary and Wage Stabilization Boards:

<table>
<thead>
<tr>
<th>Grade</th>
<th>Minimum Salary</th>
<th>Maximum Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$1620</td>
<td>$2160</td>
</tr>
<tr>
<td>2</td>
<td>1800</td>
<td>2400</td>
</tr>
<tr>
<td>3</td>
<td>1920</td>
<td>2580</td>
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<td>4</td>
<td>2160</td>
<td>2880</td>
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<td>5</td>
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<td>7</td>
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<td>4000</td>
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<td>8</td>
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<td>4400</td>
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<td>3600</td>
<td>4900</td>
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<td>10</td>
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<td>5400</td>
<td>7300</td>
</tr>
<tr>
<td>14</td>
<td>5900</td>
<td>8000</td>
</tr>
<tr>
<td>15</td>
<td>6500</td>
<td>8800</td>
</tr>
</tbody>
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"The Board approves the payment of salaries to the employees, other than officers, within the limits specified for the grades in which the positions of the respective employees are classified. It is assumed that all employees whose salaries are below the minimum of their grades as a result of the structure increase will be brought within the appropriate range as soon as practicable and not later than March 1, 1952."
Approved unanimously.

Letter to the Board of Directors, Rhode Island Hospital Trust Company, Providence, Rhode Island, reading as follows:

"Reference is made to your letter of October 19, 1951, submitted through the Federal Reserve Bank of Boston advising that the Rhode Island Hospital Trust Company, Providence, Rhode Island, proposes to purchase the assets and assume the liabilities of the Woonsocket Trust Company, Woonsocket, Rhode Island.

"Consideration has been given to the proposed transaction and the Board of Governors hereby gives its written consent, pursuant to the provisions of Section 16(c) of the Federal Deposit Insurance Act, to the acquisition of the assets and assumption of the liabilities of the Woonsocket Trust Company by Rhode Island Hospital Trust Company, provided the transaction is effected substantially as proposed, and formal approval of the appropriate State authorities is obtained."

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

"Reference is made to your letter of October 29, 1951, submitting the request of the Rhode Island Hospital Trust Company, Providence, Rhode Island, for the approval of the establishment and operation of two additional branches in Woonsocket, Rhode Island, in connection with a proposed absorption of the Woonsocket Trust Company, Woonsocket, Rhode Island.

"In view of your recommendation, the Board of Governors approves the establishment and operation of two additional branches in Woonsocket, Rhode Island, by the Rhode Island Hospital Trust Company, Providence, Rhode Island, provided the absorption of the Woonsocket Trust Company is effected substantially as proposed and the prior approval of the appropriate State authorities is obtained.

"It is understood that Counsel for the Reserve Bank will review and satisfy himself as to the legality of all steps taken to effect the proposed absorption and establishment of the branches."
"In view of your favorable recommendation, the Board of Governors also consents, under the provision of Section 16(c) of the Federal Deposit Insurance Act, to the absorption of the Woonsocket Trust Company by the Rhode Island Hospital Trust Company. Please transmit the enclosed letter of consent to the Board of Directors of the Rhode Island Hospital Trust Company."

Letter to Mr. G. L. Schofield, Vice President, Washington Gas and Electric Company, c/o Stone & Webster Service Corporation, 90 Broad Street, New York, New York, reading as follows:

"This is in further reference to your letter of October 25, 1951 and Mr. Harrington’s letter of October 29, 1951, concerning Regulation W and the proposed plan for leasing gas-fired water heaters by the Washington Gas and Electric Company of Tacoma, Washington.

"From the above correspondence, it appears that the Company proposes to lease water heaters to its gas service subscribers for the primary purposes of increasing gas consumption rather than for profit from the heater rentals. Each proposed rental arrangement would be entered into on the basis of the wholesale cost of the heater to the Company, which, it is understood, would absorb other costs in connection with the heater installations. You state that a payment of 10 per cent of the wholesale cost of the leased heater (approximately 3/5) would be obtained from the lessee upon execution of the lease, and that the remainder of such cost would be collected by approximately equal monthly rental payments over a 36 months' rental period. Continued use of the heater after that period would be optional with the lessee; but it is our understanding that the rental payments would cease at the end of the 36 months.

"You will appreciate, of course, that it is difficult to be absolutely certain of the status of proposed transactions under the regulation because of possible variations that sometimes occur in the actual arrangements as a practical matter. However, on the basis of the information as presented, the proposed rental arrangements, as outlined above, would appear to be in compliance with the requirements of Regulation W."
"Should any further questions occur to you with respect to the proposed plan or its operation, you might find it more convenient to discuss them with representatives of the Federal Reserve Bank of New York, since the administration of the regulation has been decentralized among the Reserve Banks and their branches.

"We hope that our delay in this connection has not caused you or the Company inconvenience."

Approved unanimously, with a copy to Mr. Ralph W. Scheffer, Manager, Real Estate and Consumer Credit Department, Federal Reserve Bank of New York.

Memoranda from Mr. Chase, Assistant Solicitor, recommending for reasons stated therein that the following matters involving registrants under Regulation W, Consumer Credit, be referred to the Department of Justice for the institution of such criminal proceedings as that Department might deem appropriate:

<table>
<thead>
<tr>
<th>Date of Memorandum</th>
<th>Registrant</th>
</tr>
</thead>
<tbody>
<tr>
<td>11/8/51</td>
<td>The Minnesota Soft Water Company, Minneapolis, Minnesota</td>
</tr>
<tr>
<td>11/9/51</td>
<td>Semmons Furniture Company, Columbia, Missouri</td>
</tr>
</tbody>
</table>

Approved unanimously.

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

"Individual groups of medical doctors who are associated in organizations variously known as 'medical centers' and 'medical clinics' have from time to time contended to different Federal Reserve Banks that structures used by them are 'hospitals' within the meaning of section 2(r) of Regulation X. Such medical groups are organized to provide medical services and often have
extensive facilities, including radiological departments, laboratories, dispensaries, physical therapy and BMR (basal metabolism rate tests) and EKG (electrocardiogram) facilities, as well as facilities for minor surgery. These medical centers and clinics sometimes provide 'out-patient' diagnostic and treatment services which often are accessory to services contributed by hospitals, and which may be provided only through the employment of most extensive physical facilities.

"Heretofore, in order for an institution to be considered as a 'hospital' under section 2(r) of Regulation X, it has been our view that it must include as a minimum requirement 'in-patient' facilities coupled with extensive medical services normally provided by hospitals. It seems apparent, however, that the medical services made available by some medical centers and clinics are an equally essential and indispensable part of the public health facilities of some communities, and for that reason we believe that medical centers, clinics, and individual doctors' offices which offer reasonably complete medical services for diagnosis and treatment should be considered 'hospitals' within the meaning of Regulation X, even though they do not have 'in-patient' facilities."

Approved unanimously.

[Signature]

Secretary.