

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, January 23, 1952.

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

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

Memorandum dated January 22, 1952, from Mr. Sloan, Director, Division of Examinations, recommending increases in the basic annual salaries of the following employees in that Division, effective February 3, 1952:

<u>Name</u>	<u>Title</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
F. W. Troup	Federal Reserve Examiner	\$8,360	\$8,560
C. P. Sturges	Assistant Federal Reserve Examiner	5,310	5,435

Approved unanimously.

Memoranda dated January 16, 1952, from Mr. Young, Director, Division of Research and Statistics, recommending that Messrs. Reavis Cox, Albert Haring, Raymond J. Saulnier, Duncan M. Holthausen, Morris A. Copeland, and Ernest M. Fisher be engaged as consultants to the Division of Research and Statistics during the year 1952 on a contractual, temporary consulting basis at a fee of \$50 per day for each day worked for the Board plus actual necessary transportation expenses in accordance with the Board's travel regulations applicable to heads or assistant heads of divisions and a per diem in lieu of subsistence of \$15 while traveling for the Board in connection with

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their duties as consultants. The memoranda stated that Messrs. Cox, Haring, Saulnier, and Holthausen would be employed on the consumer credit series revision, Mr. Copeland on moneyflows work, and Mr. Fisher on real estate problems.

Approved unanimously.

Letter to Mr. Stevens, Federal Reserve Agent, Federal Reserve Bank of New York, reading as follows:

"In accordance with the request contained in your letter of January 18, 1952, the Board of Governors approves the appointment of Mr. Richard E. Hunke as Alternate Assistant Federal Reserve Agent at his present salary of \$6,200 per annum.

"This approval is given with the understanding that Mr. Hunke will be placed upon the Federal Reserve Agent's pay roll and will be solely responsible to him or, during a vacancy in the office of the Agent, to the Assistant Federal Reserve Agent, and to the Board of Governors, for the proper performance of his duties. When not engaged in the performance of his duties as Alternate Assistant Federal Reserve Agent he may, with the approval of the Federal Reserve Agent, or during a vacancy in the office of the Federal Reserve Agent, of the Assistant Federal Reserve Agent, and the President, perform such work for the Bank as will not be inconsistent with his duties as Alternate Assistant Federal Reserve Agent.

"Mr. Hunke should execute the usual oath of office which should be forwarded to the Board of Governors. Your advice with respect to the effective date of Mr. Hunke's appointment will be appreciated."

Approved unanimously.

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

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"The Board of Governors approves the reappointments of Messrs. Van Dyke, Franke, Heuser, Crawford and Swaim as members of the Industrial Advisory Committee for the Eighth Federal Reserve District to serve for terms of one year each, beginning March 1, 1952, in accordance with the action taken by the Board of Directors as reported in your letter of January 17, 1952.

"It is noted from your letter that, after the Committee has elected its officers for the ensuing year, the Board of Governors will be advised."

Approved unanimously.

Letter to Mr. Gidney, President, Federal Reserve Bank of Cleveland, reading as follows:

"Referring to your letter of January 14, 1952, the Board of Governors approves payment to your special counsel Squire, Sanders and Dempsey, of a bill totaling \$3,427.87 for special services and expenses up to December 15, 1951, in connection with the law suit brought against your Bank by Bank of America N. T. & S. A. It is noted that your board of directors has authorized the payment of this bill subject to the prior approval of the Board of Governors, and that your Bank intends to treat such payment as an item for which your Bank will be reimbursed by the Treasury."

Approved unanimously.

Letter to Mr. Johns, President, Federal Reserve Bank of St. Louis, reading as follows:

"Reference is made to your letter of January 16, 1952, advising of the transfer of Mr. Fred Burton, on a temporary basis, from the Louisville Branch to the Head Office and enclosing a copy of the current resolution adopted by the Board of Directors authorizing such transfers.

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"Inasmuch as Mr. Burton will be serving in the capacity of an Assistant Vice President in his new assignment, it is believed that such action is in effect a change in title as referred to in the Board's letter of August 3, 1948, F. R. L. S. 9090.1. Accordingly, the Board of Governors approves the payment of salary to Mr. Fred Burton at his present rate of \$8,000 per annum, while serving as an Assistant Vice President at the Head Office, for the period beginning January 14, 1952."

Approved unanimously.

Letter to Mr. Bryan, President, Federal Reserve Bank of Atlanta,

reading as follows:

"There is enclosed a copy of a letter dated January 8, 1952, with enclosures, addressed to the Board by Mr. Charles B. Galloway, Chairman of the Board of The First National Bank of Clearwater, Clearwater, Florida, with respect to the holding company affiliate status of the Mickler Corporation, Tampa, Florida.

"On the basis of the facts presented by Mr. Galloway's letter, there does not appear to have been any material change in the status of the Mickler Corporation since the Board's determination of June 1, 1949; nor would the proposed stock dividend by The First National Bank of Clearwater affect the situation.

"Accordingly, no action by the Board seems necessary at this time. It would be appreciated if you will advise Mr. Galloway to this effect."

Approved unanimously.

Letter to Mr. Bryan, President, Federal Reserve Bank of Atlanta,

reading as follows:

"This refers to your letter of January 14 concerning the proposed air-conditioning of the third, fourth, fifth, and sixth floors of the Silvey Building.

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"In view of your statements that the equipment is said to be available and that prompt delivery and installation can be effected if the order is placed now, the Board will interpose no objection to the expenditure of approximately \$35,000 to air-condition the remaining four floors of the Silvey Building."

Approved unanimously.

Letter to Mr. W. Wilson White, White, Williams and Scott, Land Title Building, Philadelphia, Pennsylvania, reading as follows:

"This refers to your letter of January 16, 1952, addressed to Mr. Solomon, with which you enclosed a proposed amendment to Regulation W in behalf of your client, the T. & E. Company, Wilkes-Barre, Pennsylvania.

"Regulation W and the automobile instalment leasing arrangements of the T. & E. Company were discussed at the December 11, 1951, meeting in Washington attended by you, Messrs. Jenkins and Trembath, and certain members of the Board's staff. At the conclusion of that meeting you indicated that you would endeavor to prepare and forward for consideration a suitable proposal to change the regulation to meet the desires of your client. The draft amendment which you now have submitted is designed, briefly, to exempt from the regulation instalment rentals or leases of automobiles to employees for business use.

"Various proposals advocating a use test for listed articles in determining the application of the regulation have been urged from time to time since the regulation was first instituted in 1941. Some of these proposals have been quite similar to the one made by you and have related to instalment leasing as well as to other instalment transactions subject to the regulation. However, the Board has felt it would be undesirable to depart from the general test, now long established, based on the design of the article.

"Serious difficulties are inherent in a use test under a regulation covering so broad and complex a field as that covered by Regulation W. Not only would such a test be a less workable approach from the regulatory

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"standpoint, but it also would place upon Registrants an additional responsibility of value and indefinite proportions. Furthermore, uniformity of application, except where clearly impracticable, has always been viewed as an essential attribute of fairness in the application of this regulation as of other regulatory measures. An exemption of the kind proposed would be certain to result in proposals for its extension in favor of other articles and transactions for various reasons, including an understandable desire for what would be regarded as equal treatment.

"If the Congressional purpose in authorizing the regulation is to be effectuated, the acquisition of the use of funds or property through instalment transactions within the scope of the statute and regulation cannot be expected to continue free of restraint. Otherwise, the inflationary pressures, which the regulation was intended to help curb would proceed unabated.

"Assuming that some apparent or technical disparities may exist between some aspects or consequences of a conditional sale as compared with an instalment lease, their initial impacts on the economy, as well as other major substantive features, are essentially indistinguishable. Both involve credit, and both add to the inflationary effects that occur in the bidding for goods and services, especially during a time of vast defense expenditures. In addition, by affording a customer the continuous use of an automobile or other listed article, a lease or loan of any such article clearly serves substantially the same purpose or achieves the same effect as, for example, a chattel mortgage or conditional sale. To be effective and equitable in its application, the regulation cannot properly disregard competitive forms of credit which are of a character to add to the over-all problem which the statute and regulation were designed to meet.

"In considering your proposed amendment the Board has carefully reviewed its position with respect to leasing arrangements; but in view particularly of the foregoing considerations, the Board does not feel that the proposal suggested by you should be adopted. Consequently, instalment leases of the kind dealt with in your proposal

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"should remain subject to the regulation. Of course, as you know, the regulation does not prohibit instalment leasing; and it is understood that some of the lease arrangements of your client are such as to qualify under certain exemptions already in the regulation. For those instalment leases not entitled to exemption, the regulation merely provides that they meet certain requirements, as is true also with the ordinary instalment loan or conditional sale.

"The Board always welcomes the opportunity for developing further information in connection with the regulation and its administration and, therefore, appreciates having had in this matter the benefit of your cooperation, and that of Messrs. Jenkins and Trembath.

"Should you have any further inquiry concerning the regulation in its application to the business of the T. & E. Company, the members of the Board's staff as well as the Federal Reserve Bank of Philadelphia will be glad to be of assistance to you."

Approved unanimously, with
a copy to the Federal Reserve Bank
of Philadelphia.

Orders suspending licenses under Regulation W, Consumer Credit,
prepared pursuant to the Board's action of January 3, 1952, reading
as follows:

"UNITED STATES OF AMERICA
BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
In the Matter of
KAHN MOTOR COMPANY, a partnership, and
IRVIN L. COHN and HAROLD GREENBERG,
partners therein, 3943 Easton Avenue,
St. Louis, Missouri.

ORDER SUSPENDING LICENSES UNDER REGULATION W

On January 21, 1952, the Board of Governors of the Federal Reserve System ordered that a hearing be held to determine whether or not the licenses of Kahn Motor Company, a partnership, and Irvin L. Cohn and Harold Greenberg, partners therein

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"(such partnership and partners hereinafter being called 'the registrants'), should be suspended, and

On January 22, 1952, said registrants, by their attorney, Irwin White, filed with the Board their 'Waiver of Hearing and Consent to Entry of Order Suspending Registrants' Licenses', and

The Board, having considered the Waiver of Hearing and Consent to Entry of Order Suspending Registrants' Licenses,

HEREBY ORDERS, under authority of Section 601 of the Defense Production Act of 1950:

1. That the licenses of said registrants issued pursuant to Regulation W be and the same are hereby suspended for fourteen days, from January 28 to February 10, 1952, both dates inclusive; provided, that this order shall not prohibit the receipt of any payments on existing obligations, or the making of payments of any obligations, including obligations to employees for salaries and wages.

2. Any terms used in this order that are defined in Regulation W shall have the meaning therein given them.

By order of the Board of Governors of the Federal Reserve System this 23rd day of January, 1952.

(signed) S. R. Carpenter,
Secretary."

"UNITED STATES OF AMERICA

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

In the Matter of

KAHN INVESTMENT COMPANY, a corporation,

3943 Easton Avenue, St. Louis, Missouri.

ORDER SUSPENDING LICENSE UNDER REGULATION W

On January 21, 1952, the Board of Governors of the Federal Reserve System ordered that a hearing be held to determine whether or not the license of Kahn Investment Company, a corporation, hereinafter called the registrant, should be suspended, and

On January 22, 1952, said registrant, by its attorney, Irwin White, filed with the Board its 'Waiver of Hearing and Consent to Entry of Order Suspending Registrant's License', and

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"The Board, having considered the Waiver of Hearing and Consent to Entry of Order Suspending Registrant's License, aforesaid,

HEREBY ORDERS, under authority of Section 601 of the Defense Production Act of 1950:

1. That the license of said registrant issued pursuant to Regulation W be and the same is hereby suspended for fourteen days, from January 28 to February 10, 1952, both dates inclusive; provided, that this order shall not prohibit the receipt of any payments on existing obligations, or the making of payments of any obligations, including obligations to employees for salaries and wages.

2. Any terms used in this order that are defined in Regulation W shall have the meaning therein given them.

By order of the Board of Governors of the Federal Reserve System this 23rd day of January, 1952.

(signed) S. R. Carpenter,
Secretary."

Approved unanimously.

Memorandum dated January 18, 1952, from Mr. Townsend, Solicitor, recommending for reasons stated therein, that the matter of Gerald Yates, doing business as Michigan Home Improvement Company, Saginaw and Pontiac, Michigan, a registrant 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.

Approved unanimously.

Memorandum dated January 21, 1952, from Mr. Carpenter, Secretary of the Board, recommending for reasons stated therein that the

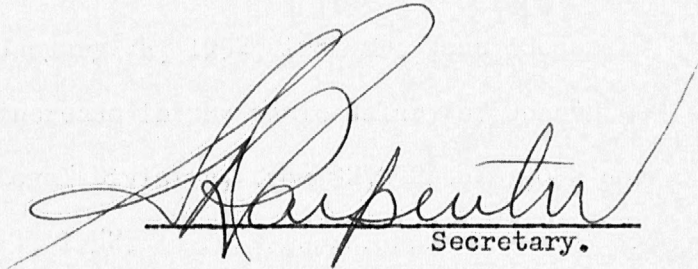
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following items in the 1951 budget of the Office of the Secretary
be increased in the amounts indicated:

Telephone and Telegraph	\$550
Books and Subscriptions	53
Traveling Expenses	200

Approved unanimously.


Secretary.