

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, January 28, 1952.

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

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

Minutes of actions taken by the Board of Governors of the Federal Reserve System on January 25, 1952, were approved unanimously.

Memorandum dated January 23, 1952, from Mr. Young, Director, Division of Research and Statistics, recommending the appointment of Joan R. Winter as Clerk in that Division, on a temporary indefinite basis, with basic salary at the rate of \$2,950 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.

Memorandum dated January 20, 1952, from Mr. Young, Director, Division of Research and Statistics, recommending increases in the basic annual salaries of the following employees in that Division, effective February 3, 1952:

Name	Title	Salary Increase	
		From	To
Albert R. Koch	Chief, Banking Section	\$11,050	\$11,300
C. Richard Youngdahl	Chief, Government Finance Section	11,050	11,300

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<u>Name</u>	<u>Title</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
Murray Altmann	Economist	\$4,205	\$4,330
Virginia J. K. Ogilvie	Clerk-Stenographer	3,175	3,255
Gladys Mae Davis	Draftsman	2,750	2,830

Approved unanimously.

Memorandum dated January 24, 1952, from Mr. Sloan, Director, Division of Examinations, recommending that John M. Poundstone, Settlement Clerk in the Division of Bank Operations, be transferred to the Division of Examinations as an Assistant Federal Reserve Examiner, with an increase in his basic salary from \$4,455 to \$4,620 per annum, effective as of the date he reports for his new duties. The memorandum also stated that the Division of Bank Operations was agreeable to this transfer.

By unanimous vote, John M. Poundstone was appointed an Examiner to examine Federal Reserve Banks, member banks of the Federal Reserve System, and corporations operating under the provisions of Sections 25 and 25 (a) of the Federal Reserve Act and of all other Acts of Congress pertaining to examinations made by, for, or under the direction of the Board of Governors of the Federal Reserve System, and was designated as an Assistant Federal Reserve Examiner, with official headquarters at Washington, D. C., and with basic salary at the rate of \$4,620 per annum, all effective as of the date upon which he enters upon the performance of his duties.

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Letter to Mr. McConnell, Vice President, Federal Reserve Bank of Minneapolis, reading as follows:

"In accordance with the request contained in your letter of January 22, 1952, the Board approves the designation of Rufus Manderson, as a special assistant examiner for the Federal Reserve Bank of Minneapolis."

Approved unanimously.

Letter to Mr. Earhart, President, Federal Reserve Bank of San Francisco, reading as follows:

"Reference is made to your letter of January 11 and your telegram of January 17 requesting the Board of Governors to approve an increase in the salary structures of the Federal Reserve Bank of San Francisco, including its Branches.

"Subject to the proper clearance with the Wage and Salary Stabilization Boards, the Board of Governors approves the following minimum and maximum salaries for the respective grades, effective January 11, 1952:

Grade	Head Office	
	Minimum Salary	Maximum Salary
1	\$1920	\$2580
2	2100	2820
3	2280	3060
4	2520	3420
5	2820	3800
6	3100	4200
7	3400	4600
8	3700	5100
9	4100	5600
10	4600	6100
11	5100	6700
12	5600	7300
13	6100	8100
14	6600	8900
15	7200	9700
16	7800	10500

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Grade	<u>"Salt Lake City</u>	
	<u>Minimum Salary</u>	<u>Maximum Salary</u>
1	\$1680	\$2280
2	1800	2460
3	1920	2580
4	2100	2820
5	2280	3060
6	2520	3420
7	2820	3800
8	3120	4200
9	3440	4700
10	3800	5200
11	4200	5700
12	4700	6300
13	5200	7000
14	5700	7700
15	6300	8500
16	6900	9300

Los Angeles - Portland - Seattle

Grade	<u>Minimum Salary</u>	<u>Maximum Salary</u>
1	\$1800	\$2460
2	1920	2580
3	2100	2820
4	2340	3180
5	2580	3480
6	2880	3900
7	3180	4300
8	3480	4700
9	3800	5100
10	4200	5600
11	4500	6100
12	5000	6700
13	5500	7400
14	6100	8200
15	6700	9000
16	7300	9900

"The Board approves the payment of salaries to the employees, other than officers, within the limits specified for the grades

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"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."

Approved unanimously.

Letter to Mr. McConnell, Secretary of the Board, Federal Reserve Bank of Minneapolis, reading as follows:

"The Board of Governors approves the reappointments of Messrs. Sheldon V. Wood, John M. Bush, Albert L. Miller, Walter Ringer, and A. H. Daggett as members of the Industrial Advisory Committee for the Ninth 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 of the Federal Reserve Bank of Minneapolis as reported in your letter of January 22, 1952."

Approved unanimously.

Letter to the Federal Deposit Insurance Corporation, Washington, D. C., reading as follows:

"Pursuant to the provisions of section 4(b) of the Federal Deposit Insurance Act, the Board of Governors of the Federal Reserve System hereby certifies that The First Bank of Alabaster, Alabaster, Alabama, became a member of the Federal Reserve System on January 21, 1952, and is now a member of the System. The Board of Governors of the Federal Reserve System further hereby certifies that, in connection with the admission of such bank to membership in the Federal Reserve System, consideration was given to the following factors enumerated in section 6 of the Federal Deposit Insurance Act:

1. The financial history and condition of the bank,
2. The adequacy of its capital structure,
3. Its future earnings prospects,

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- "4. The general character of its management,
5. The convenience and needs of the community to be served by the bank, and
6. Whether or not its corporate powers are consistent with the purposes of the Federal Deposit Insurance Act."

Approved unanimously.

Letter to Mr. Sproul, President, Federal Reserve Bank of New York, reading as follows:

"This refers to your letter of January 7, transmitting a letter dated January 4, 1952, from Bank of America, New York, New York, addressed to the Board and asking approval of the purchase by the Bank of 2500 shares of the capital stock of Corner Company Ltd., a Liechtenstein corporation with its principal place of business at Vaduz, Liechtenstein, for an aggregate price of 250,000 Swiss Francs. Included with the Bank's letter were the following:

1. Certified copy of resolution passed by its Board of Directors authorizing the purchase;
2. Statement of the condition of the bank as of December 31, 1951; and
3. A memorandum regarding Corner Company Ltd., to which there is attached the Articles of Incorporation of that company.

"It is noted that paragraph 3 of the by-laws of the Company provide that:

'The company is authorized to enter into all types of trade and industrial enterprises both for its own account and as agent, including financing of foreign trade and every type of banking transaction. The company can make loans and acquire and dispose of intangible and tangible assets.'

"The memorandum regarding the Company states that:

'The corporation, according to information furnished us by its management, engages in all types of financial transactions including those enumerated below:

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- "(a) estate management
- '(b) purchase and sale of securities for account of clients
- '(c) investment of funds for account of clients in securities and loans
- '(d) operation of custodian accounts
- '(e) accepts deposits
- '(f) intermediary for procuring loans for account of clients
- '(g) foreign exchange dealings for account of clients.'

"The authorized powers of the Company as stated in the by-laws above quoted are most comprehensive, and before acting upon the application for its consent to the proposed purchase of stock, the Board would like to be informed more specifically as to just what powers it is contemplated that the Company will exercise. In this connection we would like to have more information as to the 'types of financial transactions', if any, in which the Company engages other than those specifically listed in the memorandum. We would also like to know whether it is intended that the Company will engage in other types of 'trade and industrial enterprises * * * including financing in foreign trade and every type of banking transaction'. It would also be helpful to the Board's consideration of this matter if the Bank of America would indicate more clearly in what respects and to what extent the operations of this Company with the Bank's participation through the proposed stock ownership would further the purposes and objectives of the Edge Act.

"We note the statement that the Company is not engaged in the general business of buying or selling goods, wares, merchandise or commodities in the United States and is not transacting any business in the United States except such as is incidental to its international or foreign business. The Board would appreciate more specific information, however, as to just what types of business, if any, will be performed by the Company in the United States, and the relationship of these transactions to its foreign and international business. In brief, the Board will appreciate receiving, as a basis for its consideration of this matter, such assurances as the Bank of America is able to give as to the scope of the powers to be exercised

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"by the Company and the scope of the activities which are to be carried on in the United States.

"The Bank of America proposes to purchase 2500 shares of capital stock of the Corner Company Ltd., but it is not clear what will be the ratio of shares owned by Bank of America under the proposal to the total outstanding stock of the Company. The Board would also like to be advised as to whether it is considered that the Company has authority to invest in the stock of other institutions and, if so, whether or not it contemplates making such investments.

"It will be appreciated if you will communicate the substance of the above to Bank of America and request that it furnish the indicated information to you for transmission to the Board, in order that the Board may be in a better position to consider the application of the Bank. Before acting upon the proposal the Board will wish to consult with the State Department and possibly other agencies of the Government regarding the matter. The Board will appreciate it if, in transmitting the information supplied by Bank of America you will submit any comments that you may have regarding this matter, together with your recommendation."

Approved unanimously.

Letter to Mr. H. V. Prochnow, Secretary, Federal Advisory Council, 38 South Dearborn Street, Chicago, Illinois, reading as follows:

"This letter is in response to yours of January 17, 1952, relating to the next meeting of the Federal Advisory Council which is to be held on February 17-19, 1952. The Board Room will be available for the Council on the afternoon of Monday, February 18, at 2:15 o'clock, and the usual arrangements will be made to have a luncheon for the Council in the Blue Room on Tuesday, February 19.

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"The information and material requested in the last two paragraphs of your letter will be sent to the Mayflower Hotel to be held for your arrival.

"The Board of Governors will be pleased if the following items could be added to the agenda for discussion with the Board at the joint meeting on the morning of February 19:

1. When its meeting is held the Council will have received copies of the answers submitted in response to the questionnaires of the Patman Subcommittee. The Board would be pleased to have any comments that the Council might wish to make regarding the answers and particularly with regard to the answers submitted by Chairman Martin.
2. The Board would like to have the views of the Council on the prospective business and economic situation during the next six months and also with respect to changes in the volume of bank loans during the first half of 1952 and the principal purposes for which loans will be made.
3. Does the Council have any suggestions regarding System credit policies? What form should System policy take in the event inflationary pressures are renewed later in the year?
4. The Board has been considering the legislation that it will propose for enactment in the current session of Congress and would appreciate the comments of the Council in that connection."

Approved unanimously.

Letter to the Honorable Mike Mansfield, House of Representatives, Washington, D. C., reading as follows:

"The Board has carefully considered the question of providing longer maturities under Regulation W-- Consumer Credit--on the basis of the higher freight rates on automobiles in the western states raised in your letter of January 18, 1952, which has been referred to us by the National Security Resources Board.

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"Representatives of the National Automobile Dealers Association and associated West Coast dealers in a meeting with the Board on February 9, 1951, presented data and arguments for an amendment to the regulation which would provide such longer maximum maturities on the basis of freight cost differentials. After careful study the Board decided against adoption of such an amendment on the grounds that it would not only constitute an undue relaxation of the regulation but that it would also place an excessive administrative burden on the trade and on the Federal Reserve System.

"From time to time we have given detailed consideration to possible ways in which the problem resulting from the freight differential factor might be met. We have not been satisfied that there is a workable solution under the regulation which would either solve the problem or not tend to undermine the effectiveness of the regulation. Transportation charges, handling costs, and other similar costs must be reflected, in one way or another, in the cash selling price of a commodity. As a consequence, the problem which your constituents mention with regard to freight costs is, in reality, a pricing problem rather than a credit regulation problem. As you know, the regulation is primarily concerned with the rate of expansion of consumer credit, from the standpoint of helping to control inflation. Therefore, it has seemed to us that we must continue to relate the requirements of the regulation directly to the cash selling price of a commodity regardless of the components which make up that price.

"There are other difficulties with this proposal to allow for automobile freight differentials under the regulation. For instance, freight charges as they relate to automobiles are determinable only in connection with new cars. Nonetheless the price differential attributable to such charges is, of course, reflected in the used car markets, and a provision that allowed longer maturities according to determinable freight costs would discriminate against used cars. Also, on the basis of equitable treatment for all, there would appear to be sound reasons for providing the same requirements for appliances as for automobiles, but freight rates for these would be diverse and

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"difficult to determine in some cases. A major difficulty would arise, it seems to us, in the operations of institutions financing retail paper under such a rule, because of complicated payment schedules for different areas and uncertainty as to whether purchased paper was in compliance with the regulation.

"We appreciate having the opportunity to outline our views on this question. We are continuing to study closely the regulation and its effects on various industries and regions of the country, and are always glad to consider the views of those subject to the regulation."

Approved unanimously.

Letter to Mr. Kenneth Barnard, Chairman, Committee on Installment Contracts, Association of Better Business Bureaus, Inc., 7 South Dearborn Street, Chicago, Illinois, reading as follows:

"In accordance with our letter of December 26, 1951, we are writing to you again regarding the matters raised in your letter of December 10.

"We have obtained expressions from all of the Federal Reserve Banks regarding their relationships with the Better Business Bureaus with respect to Regulation W. From the Banks' point of view these relationships are most cordial and satisfactory and all of the Banks emphasized the continuing value of the cooperation they receive from the Bureaus.

"With respect to information as to the disposition of complaints referred by the Bureaus to the Banks, we are sure there is a desire throughout the Reserve System to cooperate with the Bureaus. In all cases the Reserve Banks will acknowledge receipt of any cases referred to them by your Bureaus, and, to the fullest extent possible, advise them of the action taken. You will appreciate, however, that the Reserve Banks are not in a position to release information received in the course of an investigation under Regulation W. This is particularly the case if it should develop that formal administrative or legal

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"action is considered necessary. It would be neither prudent from the standpoint of the Reserve System nor equitable to the Registrant. In cases where formal action is taken, the Board, as you know, issues a statement to the press upon its conclusion. We are obviously desirous that such statements receive the widest possible publicity, and anything that your organization might do to bring them to the attention of retailers and the general public would be appreciated.

"We agree that effective enforcement of Regulation W is vital and assure you that we are continuing our efforts to maintain adequate enforcement activities and to avoid delay in the enforcement process wherever possible. The change in the regulation relating to trade-ins on listed articles other than automobiles was required by the 1951 amendments to the Defense Production Act. It does present a real problem and the Reserve Banks are devoting a great deal of effort to the prevention of violative trade-in practices. This is a problem, however, which perhaps can never be entirely solved within the present authority of the Defense Production Act, particularly in view of the great practical difficulty of assigning precise values to trade-ins. It is fortunate that the great majority of retailers appear to be following a reasonable trade-in policy.

"If your committee would care to meet with the Board's staff in order to discuss further any aspects of the general problem of observance and enforcement of Regulation W, we should be very pleased to arrange for such a meeting. Again, let us assure you of our appreciation of the valuable assistance rendered the Board and the Reserve Banks by the Better Business Bureaus."

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

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Letter to Mr. Armistead, Vice President, Federal Reserve Bank of Richmond, reading as follows:

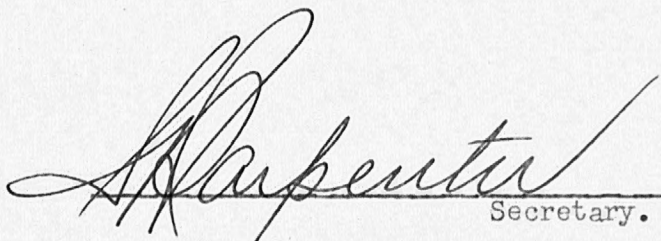
"In accordance with the request contained in your letter of January 23, 1952, the Board approves the designation of the following as special assistant examiners for the Federal Reserve Bank of Richmond:

Thomas E. Hutt	Joseph F. Viverette
Charles W. Kent	James W. Moore, III
Ivan E. Woodruff	Shelton G. Phaup
Charles H. Hall	James R. Woody
Charles F. Lumpkin	R. Baxter Causey
Wilbert C. Parrish	William C. Glover
Harry B. Smith	John E. Mallory
Raymond E. Sanders, Jr.	D. Maynard Marshall, Jr.
John L. Griffin	Robert E. Sing"
Harry C. Lawing, Jr.	

Approved unanimously.

Memoranda dated January 24, 1952, from Mr. Chase, Assistant Solicitor, recommending for reasons stated therein that in accordance with the recommendations of the Federal Reserve Banks of New York and St. Louis, respectively, the matters of Economy Appliance Company, Inc., Albany, New York, and Mr. and Mrs. P. J. Castelli, doing business as L. & P. Sales Company, St. Louis, Missouri, 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.

Approved unanimously.


Secretary.