

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, January 29, 1952. 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. 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. Young, Director, Division of Research and Statistics
Mr. Leach, Economist, Division of Research and Statistics

Mr. Thomas presented a report on recent developments in the Government securities market following which Mr. Leach withdrew from the meeting.

In accordance with the understanding at the meeting on January 17, 1952, there was a further discussion of legislative proposals of interest to the Federal Reserve System, as summarized in a memorandum from Mr. Vest dated January 11, 1952.

At the request of Chairman Martin, Mr. Vest commented upon the status of certain of the items mentioned in his memorandum. In the course of these comments, Mr. Vest referred to the letter sent under date of December 5, 1951, with the approval of the Board, to the General

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Counsel of the Office of Defense Mobilization recommending extension of the Defense Production Act beyond June 30, 1952, and transmitting a draft of an amendment which would restore the authorizations over real estate and consumer credit to the form in which they were originally enacted in the Defense Production Act of 1950. He stated that a memorandum dated January 23, 1952, had been received from the Office of Defense Mobilization enclosing a draft of a bill which would extend the Act to June 30, 1954, and would include amendments in different language but the same substance as the amendments proposed by the Board.

Mr. Powell reported that the Voluntary Credit Restraint Committee had requested him to inform the Board of its apprehension that a continuation of the public housing program at its present level, which would involve the flotation of tax-exempt securities up to a total of \$800 million during 1952, would so seriously affect the credit picture that it might become difficult to obtain continued support of private lenders for the voluntary credit restraint program, especially in the field of real estate lending. He said the Committee recognized that it lacked jurisdiction to make recommendations with respect to programs authorized or guaranteed by a Government agency but hoped that the Board might find it possible to make representations to the Congress or elsewhere that there should be some restraint on public housing

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activity during the period of the defense emergency.

Chairman Martin then stated that he had an appointment with Chairman Maybank, of the Senate Banking and Currency Committee, next week to discuss the whole legislative program, at which time he might mention the views of the Voluntary Credit Restraint Committee. He suggested that a further consideration of the legislative program by the Board be deferred until after his report on his conference with Senator Maybank. This suggestion was agreed to.

Chairman Martin stated that the answers to the questionnaire addressed to him by the Patman Subcommittee of the Joint Committee on the Economic Report were ready for transmission and inasmuch as the members of the Board had indicated a willingness to concur in the replies, he would suggest that they be transmitted to Chairman Patman, with a letter reading as follows:

"In submitting these answers to your Subcommittee's questionnaire of October 12, 1951, on general credit control and debt management, I would like to express appreciation of the Subcommittee's patience in awaiting our completion of replies. The questionnaire was an extensive and penetrating one, and as you know, the preparation of objective and adequate answers has been a task of great magnitude. In preparing replies I have felt at liberty to draw freely upon the wealth of knowledge and experience of other members of the Board of Governors as well as of the Board's staff. Our work has been done in the spirit of providing you and your colleagues with a document which we hope will contribute significantly to a better public understanding of the vital problems that concern your Subcommittee.

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"I am glad to report to you that the Board of Governors as a whole concurs with me in this set of replies."

Approved unanimously.

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 January 28, 1952, were approved unanimously.

Memorandum dated January 28, 1952, from Mr. Leonard, Director, Division of Bank Operations, recommending an increase in the basic salary of Ruth B. Willard, Clerk-Typist in that Division, from \$3,270 to \$3,415 per annum, effective February 3, 1952.

Approved unanimously.

Memorandum dated January 22, 1952, from Mr. Young, Director, Division of Research and Statistics, prepared in accordance with action taken by the Board on December 18, 1951, recommending that the status of James H. Lorie, Economist in that Division, be changed to Consultant, on a temporary consulting basis, effective February 3, 1952, that as Consultant he receive a fee of \$35 per day for each day of work for the Board, that his appointment not extend beyond October 1, 1952, that while traveling for the Board in connection with

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his assignments he receive necessary transportation expenses in accordance with the Board's travel regulations applicable to persons other than the heads or assistant heads of divisions and a per diem in lieu of subsistence of \$9, and that for purposes of travel for the Board his headquarters be Washington, D. C. The memorandum also stated that Mr. Lorie would be paid a lump sum for annual leave remaining to his credit at the time of his change in status.

Approved unanimously.

Letter to Mr. Woolley, Secretary pro tem, Federal Reserve Bank of Kansas City, reading as follows:

"The Board of Governors approves the appointments of Messrs. Mason L. Thompson, Thomas McNally, Harold F. Silver, Albert R. Waters and Raymond W. Hall as members of the Industrial Advisory Committee for the Tenth 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 Kansas City, as reported in your letter of January 23, 1952."

Approved unanimously.

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

"The Board of Governors approves the appointments of Messrs. E. S. Dulin, Wakefield Baker, Edmund Hayes, Walter A. Starr, and J. A. Folger as members of the Industrial Advisory Committee for the Twelfth Federal Reserve District to serve for terms of one year each,

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"beginning March 1, 1952, in accordance with the action taken by the Board of Directors of the Federal Reserve Bank of San Francisco, as reported in your letter of January 23, 1952.

"It is noted from your letter that Mr. Walter A. Starr was designated Chairman of the Committee and Mr. Wakefield Baker, Vice Chairman."

Approved unanimously.

Letter to the Board of Directors, Warren Bank and Trust Company, Warren, Pennsylvania, reading as follows:

"Pursuant to a request submitted through the Federal Reserve Bank of Cleveland under date of January 21, 1952, the Board of Governors of the Federal Reserve System approves the establishment and operation of a branch in Sugar Grove, Pennsylvania, by the Warren Bank and Trust Company, Warren, Pennsylvania, and hereby gives its written consent under the provisions of Section 18(c) of the Federal Deposit Insurance Act to the absorption of the Sugar Grove Savings Bank, Sugar Grove, Pennsylvania, without increasing the surplus of the Warren Bank and Trust Company to an amount which will equal the aggregate surplus of the two banks involved in the proposed absorption, provided that prior formal approval is obtained from the appropriate State authorities, that your capital stock is increased to not less than \$500,000 and provided further that the absorption is effected substantially in accordance with the plans as amended.

"This letter supersedes the Board's communication to you of December 26, 1951 which included its approval of the absorption of the Tidioute State Bank, Tidioute, Pennsylvania."

Approved unanimously, for transmittal through the Federal Reserve Bank of Cleveland, with the understanding that Counsel for

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the Reserve Bank would review and satisfy himself as to the legality of all steps taken to effect the absorption and establish the branch.

[Handwritten Signature]
Secretary.