

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, February 5, 1952. The Board met in the Board Room at 10:30 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Szymczak
Mr. Evans
Mr. Vardaman
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. Leonard, Director, Division of Bank Operations
Mr. Vest, General Counsel
Mr. Townsend, Solicitor
Mr. Young, Director, Division of Research and Statistics
Mr. Allen, Director, Division of Personnel Administration
Mr. Hackley, Assistant General Counsel
Mr. Youngdahl, Chief, Government Finance Section, Division of Research and Statistics

Mr. Thomas presented a review of developments in the Government securities market which was followed by a general discussion. At the suggestion of Mr. Vardaman, it was understood that henceforth Mr. Thomas would expand his regular reports to the Board to include comments with respect to trends in the volume or character of bank loans.

With regard to a suggestion by Mr. Szymczak that a study be made of the effects of excess profits taxes on corporate borrowing, Mr. Young stated that a staff study of that problem was in process and that he

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hoped to have it available within the near future.

At this point Mr. Youngdahl withdrew from the meeting.

Mr. Carpenter said that in accordance with the custom followed for several years delegations representing various State bankers associations would be visiting Washington over the course of the next few months, the visits of all but one of these groups being under the sponsorship of the American Bankers Association. He recalled that it had been the practice of the Board to invite each of the groups for luncheon, and that the program included in most cases an economic presentation by Mr. Young or one of his associates in the Division of Research and Statistics. Mr. Carpenter went on to say that according to comments made indirectly by representatives of the associations the delegations would prefer to have an opportunity to meet entirely informally with members of the Board to discuss "off the record" any matters in which they might be interested. He suggested, therefore, that, if agreeable to the Board, plans might be made along those lines this year, with the understanding that if any delegation indicated a desire for an economic presentation, Mr. Young or other members of the staff would be available for that purpose.

Mr. Powell stated that he also had heard from representatives from the American Bankers Association that the opportunity for informal discussion with members of the Board would be appreciated by the State delegations. He said that such discussions were customary when the groups visited

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the Federal Deposit Insurance Corporation.

Messrs. Martin, Szymczak, and Evans agreed that informal discussions would be worthwhile and that the members of the Board who were in Washington at the time should, if possible, arrange their schedules to meet with the delegations following the luncheons.

Mr. Vardaman said that he thought the visits were of much benefit from a public relations standpoint, but that he continued to feel as he had when the visits were being considered earlier, that unless arrangements were made by the American Bankers Association to bring in several groups at one time the visits would become so numerous as to require an undue amount of the time of the members of the Board. He proposed that it be made a special assignment of one Board member to work out, if possible, with the American Bankers Association a plan whereby delegations from States in the same Federal Reserve District would come to Washington at the same time.

Chairman Martin then suggested that for this year arrangements be made along the lines proposed by Mr. Carpenter, with the understanding that the Board would pay the cost of the luncheons served to the members of the delegations.

This suggestion was agreed to unanimously.

Mr. Powell referred to discussion at the meeting on January 10, 1952 regarding a proposed bill which would eliminate certain statutory

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requirements with respect to the capital required for admission of State banks to membership in the System and for the establishment and operation of domestic branches by member banks. At that time he stated that a letter expressing the views of the Federal Deposit Insurance Corporation with respect to the proposed bill was expected shortly, and the Board had agreed that if the Corporation expressed no substantial reservations, the Chairman should transmit the bill to the Chairmen of the Senate and House Banking and Currency committees.

Mr. Powell reported that Chairman Martin on February 1, 1952 received a letter from Chairman Harl, of the Federal Deposit Insurance Corporation, dated January 11, 1952 in which Mr. Harl expressed objection to any move which would reduce capital requirements for State member and national banks. At Mr. Powell's request, Mr. Vest reviewed interagency discussion of the bill, stating that in the summer of 1951 the Board obtained clearance of a draft from the Comptroller of the Currency and the Bureau of the Budget, that subsequently Mr. Lyon, Superintendent of Banks for the State of New York, suggested a minor amendment which was incorporated and cleared informally with the Bureau of the Budget, that the views of the Federal Deposit Insurance Corporation were solicited regarding this change, and that the letter now received by Chairman Martin was in response to that inquiry.

Mr. Vest also stated that according to advice from the Bureau of the Budget, Mr. Harl in a letter dated July 19, 1951, written in response

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to the Bureau's request for comment on the original draft of bill, had expressed the same general views as contained in his letter of January 11. Mr. Vest said that in his opinion the objection of Mr. Harl was not well founded since as far as admission to membership was concerned the bill would provide that where capital was to be less than required by existing law a bank could not be admitted to membership unless it is, or has been, approved for insurance by the Federal Deposit Insurance Corporation; also with respect to capital requirements for branches, the bill would merely strike from the National Bank Act the requirement of \$500,000 capital, and this would go no further than the provisions of the Federal Deposit Insurance Act, which allow that Corporation to approve out-of-town branches for insured nonmember banks without any particular capital requirements.

Following discussion of the procedure to be followed in the light of Mr. Harl's letter, it was suggested that no further steps be taken pending a review of the matter by Mr. Robertson, member-designate of the Board, who had worked closely with the Federal Deposit Insurance Corporation on various other matters in his capacity as Deputy Comptroller of the Currency.

This suggestion was approved
unanimously.

In a memorandum dated December 26, 1951, the Personnel Committee had recommended that Walter S. Byrne, General Manager of the Omaha

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Metropolitan Utilities District, Omaha, Nebraska, be appointed a Class C director of the Federal Reserve Bank of Kansas City for the unexpired portion of the term ending December 31, 1953, if it were ascertained that he would accept the appointment, and as Deputy Chairman of the Bank for the year 1952. Subsequently, a question was raised whether Mr. Byrne's position would contravene the Board's resolution of 1915 against officers and directors of a Federal Reserve Bank holding political or public office, and upon inquiry Chairman Caldwell of the Kansas City Bank had advised Mr. Carpenter by telephone that the utilities district was regarded as a political subdivision and had been dealt with in that way, that some years ago the district issued bonds which were treated as municipal bonds free from taxation, that the whole operation was treated as if it were part of the city, that the manager was selected by the directors who were elected by popular vote, and that the manager was regarded generally as a public official.

There followed a discussion of the steps to be taken in the light of Chairman Caldwell's comments, during which it was pointed out that when Mr. Byrne was appointed a director of the Omaha Branch in 1943, in which capacity he served until 1949, it was with the understanding that his job was a business management position rather than a public office. Consideration also was given to the geographical composition of the Board of the Kansas City Bank and to reasons why it was believed desirable to select a

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director from outside Kansas City.

It was then suggested that the Personnel Committee review the situation in the light of the discussion at this meeting and make a further recommendation to the Board.

This suggestion was approved
unanimously.

Mr. Townsend stated that counsel for respondent had requested that there be placed in the record as respondent's exhibit 399 in the matter of Transamerica Corporation a stipulation to the effect that the board of directors of that corporation at a special meeting on January 31, 1952 had declared a stock dividend payable in shares of common stock of Bank of America National Trust and Savings Association and that the payment of that dividend on January 31 had reduced the Transamerica ownership of shares in Bank of America to approximately 5.6 per cent of all of Bank of America's outstanding shares. Mr. Townsend said that he was agreeable to such a stipulation being made part of the record.

Mr. Evans reported that he had asked Mr. Cherry, Assistant Counsel, who was attending the regional Reserve Bank conferences relating to Regulation W, Consumer Credit, and Regulation X, Real Estate Credit, to provide the staff of the Joint Congressional Committee on Defense Production with a summary of the results of the conferences, together with other developments from time to time in connection with the regulations, so that the Committee would be fully advised of the manner in which the regulations

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were being administered and so that the Committee might raise at any time such questions as it desired with respect to the regulations.

All of the members of the staff then withdrew and the Board went into executive session.

Following the executive session the Secretary was advised that by unanimous vote the Board had ordered that the stipulation referred to by Mr. Townsend be entered into the record as requested on February 5, 1952.

The actions stated with respect to each of the matters hereinafter referred to was then taken by the Board:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on February 4, 1952, were approved unanimously.

Memorandum dated January 30, 1951, from Mr. Young, Director, Division of Research and Statistics, recommending that the resignation of Jane M. Lashley, Clerk-Typist in that Division, be accepted to be effective, in accordance with her request, at the close of business January 30, 1952.

Approved unanimously.

Memorandum dated February 4, 1952, from Mr. Bethea, Director, Division of Administrative Services, recommending that the temporary appointment of Angelina M. Ferguson, Cafeteria Helper in that Division, be extended for a period of one month from February 7, 1952, with no change in her basic salary at the rate of \$2,420.

Approved unanimously.

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

"In accordance with the request contained in your letter of January 28, 1952, the Board approves the appointment of Allen F. Peterson as an assistant examiner for the Federal Reserve Bank of New York, and the designations of Henry O. Green and Edward F. Odell as special assistant examiners.

"Please advise us of the date upon which the appointment of Mr. Peterson is made effective."

Approved unanimously.

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

"Reference is made to your letter of January 29, 1952, submitting for approval of the Board of Governors the change in location of its North Canton Branch by The Harter Bank & Trust Company, Canton, Ohio, from 107 South Main Street to 139 South Main Street, North Canton, Ohio, to become effective as of February 11, 1952.

"It is noted that approval of the appropriate State authorities has been obtained and it is assumed that the bank's investment in the new quarters of the branch will not bring the total investment of the institution in banking premises to an amount exceeding its present capital stock. The Board will interpose no objection to the removal of the branch as indicated."

Approved unanimously.

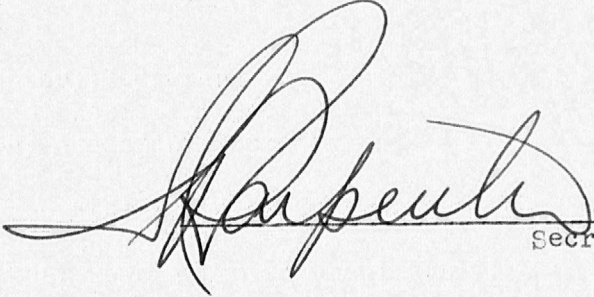
Memorandum dated February 1, 1952, from Mr. Carpenter, Secretary of the Board, recommending the destruction of certain material in the

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Board's files, as listed in attachments to the memorandum, according to stated destruction schedules.

Approved unanimously.



Secretary.