Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, February 26, 1952. The Board met in executive session in the Board Room at 10:30 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Szymczak
Mr. Evans
Mr. Vardaman
Mr. Powell
Mr. Mills
Mr. Robertson

Following the executive session the Secretary was informed that the Board had approved the transfer, effective immediately, of Alfred K. Cherry, Assistant Counsel, from the Legal Division to the Office of the Chairman, with the title of Legislative Counsel, it being understood that Mr. Cherry would devote his time primarily to legislative matters relating to the System and maintaining liaison with the Congress on such matters, and that he would work closely with the Chairman and the other members of the Board in this connection.

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 February 25, 1952, were approved unanimously.

Letter to Mr. Stevens, Chairman, Federal Reserve Bank of New York, prepared pursuant to action taken by the Board at the meeting on February 14, 1952, reading as follows:

"Your directors undoubtedly are thinking about the salary adjustments to be recommended for officers of the Federal Reserve Bank of New York and the Buffalo Branch for the year beginning April 1, 1952.

"It is the Board's understanding, from informal discussions with representatives of the Salary Stabilization Board, that there is justification for considering the Reserve Banks as having a plan of salary administration which qualifies under existing stabilization regulations. Therefore, merit increases amounting to six per cent may be
granted in 1952 without specific clearance from the Salary Stabilization Board.

"Accordingly, the Board authorizes your Bank to increase officers' salaries, other than for the President and the First Vice President, by an amount not to exceed six per cent of the aggregate of such salaries as of the payroll period ending nearest January 15, 1952, provided such increases do not bring the salaries above the established maximums.

"Any such increases should be effective as of the beginning of your regular salary year, April 1, 1952, and it will be appreciated if you will advise the Board of Governors promptly of the salary adjustments approved by your directors under this authority.

"The Board's records disclose the following maximums for the official positions at your Bank as determined from reviewing the salaries paid between 1940 and January 25, 1951:

<table>
<thead>
<tr>
<th>Position</th>
<th>Maximum Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vice President, Vice President and General Counsel</td>
<td>$27,500</td>
</tr>
<tr>
<td>Assistant General Counsel</td>
<td>17,500</td>
</tr>
<tr>
<td>Assistant Vice President</td>
<td>16,500</td>
</tr>
<tr>
<td>Manager, Secretary and Assistant Counsel</td>
<td>15,000</td>
</tr>
<tr>
<td>and Acting Assistant Secretary</td>
<td></td>
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<tr>
<td>Assistant Counsel and Assistant Counsel</td>
<td></td>
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<tr>
<td>and Acting Assistant Secretary</td>
<td></td>
</tr>
<tr>
<td>Secretary, Assistant Counsel</td>
<td>13,000</td>
</tr>
<tr>
<td>General Auditor</td>
<td>17,000</td>
</tr>
<tr>
<td><strong>Buffalo Branch</strong></td>
<td></td>
</tr>
<tr>
<td>Vice President</td>
<td>$15,000</td>
</tr>
<tr>
<td>Cashier</td>
<td>10,000</td>
</tr>
<tr>
<td>Assistant Cashier</td>
<td>9,500</td>
</tr>
</tbody>
</table>

"In addition to the merit adjustments which may be granted within the prescribed salary range, salary stabilization regulations permit further adjustments if general increases have not equaled ten per cent since January 15, 1950. From a review of the salary increases which you have given since that time, we find you have approximately $63,000 remaining which could be used in addition to the six per cent. Therefore, in the event you have an especially meritorious case which you feel warrants increasing an officer above the maximum for his position, the matter should be presented to the Board of Governors for its specific consideration.

"If an officer received an adjustment last year which placed his salary above the maximum, he can not receive any further salary increase at this time because the amount by which the maximum was exceeded came under the ten per cent formula. However, an officer who has not received any benefit from the ten per cent formula can, in accordance with regulations, be increased above his maximum once. For example,
"If an officer received an increase in salary last year from $11,000 to $12,000 and the former figure is the maximum for the category in which his position falls, the $1,000 increase last year was charged against the ten per cent allowance. Since the officer has already been increased above the salary range, he can not at this time receive a further salary increase.

"The Board of Governors desires to give your directors as much latitude in officers' salary administration as is consistent with its responsibility under the Federal Reserve Act. In using the authority given by this letter, we hope you will concentrate on salary adjustments in the group of younger officers whose work merits a reward and who have definite potentialities.

"We are not unmindful of the situation with respect to the older officers, but we feel that pending the adoption of a permanent salary plan, the current maximums should be maintained if at all feasible.

"This plan does not include the President and the First Vice President, as their salaries will be considered by the Board of Governors at a later date."

Approved unanimously, together with similar letters to the Chairmen of the other eleven Federal Reserve Banks.

Letter to Mr. A. L. Trotta, Manager, Credit Management Division, National Retail Dry Goods Association, 100 West 31st Street, New York, New York, reading as follows:

"This is in further reference to your letter of January 25, 1952, which, among other things, related to our letter of November 29, 1951, concerning Regulation W and the installment rental of food freezers by stores in the Allied Stores Corporation group.

"From your letter of January 25, it now appears that Allied Stores Corporation, in order to increase the sale of frozen food, may be contemplating the rental of food freezers on the basis of cost, rather than selling price, or, as a further alternative, the installation of food freezers on a free use basis.

"Nothing has occurred since November of 1951 to alter the basic views expressed in our earlier letter to you in this
"regard. Those principles continue to apply. However, in calculating the amount of the required initial deposit payment and the amounts of the rental payments to be scheduled within the applicable maximum maturity in the case of a lease or rental of a listed article, the Registrant may select any reasonable method for computing the value of the article, provided, of course, that all appropriate items of cost passed on to the customer are included in such calculations. Accordingly, in the case of a lease or rental of a listed article, the Registrant is not bound in all cases to use the selling price but, depending upon the circumstances, may use a lower value, such as cost. Furthermore, a Registrant would not be prohibited by the regulation from making a bona fide free gift of a listed article or of the use of a listed article where the transaction otherwise involved no conflict with the regulation.

"You will appreciate, of course, that the status under the regulation of alternatives such as those suggested in your letter cannot be determined without having complete information of the arrangements contemplated and of their treatment as a practical matter. As you know, the regulation is administered locally through the Reserve Banks and their branches. In the circumstances, therefore, Allied Stores Corporation representatives in New York may wish to discuss such alternatives with the Regulation W staff at the Federal Reserve Bank of New York.

"We regret the delay in replying to that part of your letter concerning the matter of interest to Allied Stores Corporation."

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

Letter to Mr. Erickson, President, Federal Reserve Bank of Boston, reading as follows:

"Reference is made to Mr. Boardman's letter of January 31, 1952, in which the Board was advised of the reasons why
expenses for certain items at your Bank exceeded the 1951 budget estimates. "Appropriate notations are being made in the Board's records concerning these overexpenditures."

Approved unanimously.

Letter to Mr. Black, Vice President, Federal Reserve Bank of Chicago, reading as follows:

"Reference is made to your letter of February 1, 1952, in which you advised the Board of the reasons why expenses for certain items at your Bank exceeded the 1951 budget estimates. "Appropriate notations are being made in the Board's records concerning these overexpenditures."

Approved unanimously.

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

"This is in further reference to your letter of February 8, 1952, and its enclosures, concerning the application of Regulation W to instalment credit for the purchase and installation of mechanical food freezers of the kind described in the above correspondence and sold by the Magic Pantry Co., Los Angeles, California.

On the basis of the very full and detailed information presented by you, it would seem extremely difficult not to agree with the view indicated in the third paragraph of your letter. Group D of the Supplement to the regulation, of course, specifically excludes 'articles listed elsewhere'. Not only does Group B list 'food freezers, mechanical, designed for household use', but the regulation includes with any such specific listing all matters covered under section C(3)(7), such as 'accessories' and 'charges for ... installation'. Consequently, to regard the food freezer installations of interest here as covered by Group D, rather than Group B, would seem to overlook the clear language of the regulation, as well as such relevant, practical considerations as those mentioned in the second paragraph of your letter.
"We agree that such matters as local building costs, the presence or absence of a title retaining provision in the contract, how the matter may be characterized by the parties to the contract, and eligibility for FHA insurance, are not controlling considerations for the purposes of Regulation W. In this regard, you may be interested to know that a check with an FHA representative here revealed that the inquiry to which the September 20, 1951, letter from FHA was addressed did not refer to or describe a Magic Pantry Company freezer installation of the kind in question.

"In considering this matter especially attention was given Mr. Maidman's letter of January 29, 1952 to Mr. Robinson. In the circumstances, it would seem unlikely that a meeting with the Board's staff by Mr. Maidman would prove productive. However, if, notwithstanding the views indicated above, he still feels that at such a meeting in the near future there can be presented further facts or considerations having a material bearing on the status under the regulation of the freezers in question, we would be agreeable to extending to him that opportunity in accordance with the last paragraph of your letter."

Approved unanimously.

[Signature]

Secretary.