

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, March 14, 1952.

PRESENT: Mr. Martin, Chairman

Mr. Szymczak

Mr. Evans

Mr. Vardaman

Mr. Powell

Mr. Mills

Mr. Robertson

Mr. Carpenter, Secretary

Mr. Sherman, Assistant Secretary

Minutes of actions taken by the Board of Governors of the Federal Reserve System on March 13, 1952, were approved unanimously.

Telegrams to the Federal Reserve Banks of New York, Cleveland, Richmond, Chicago, St. Louis, Minneapolis, Kansas City, and Dallas stating that the Board approves the establishment without change by the above stated Reserve Banks on March 13, 1952, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Memorandum dated March 11, 1952, from Mr. Young, Director, Division of Research and Statistics, recommending an increase in the basic salary of Gretchen L. Geigenmueller, Clerk in that Division, from \$3,190 to \$3,335 per annum, effective March 16, 1952.

Approved unanimously.

Memoranda recommending that the basic annual salaries of the following employees be increased in the amounts indicated, effective March 16, 1952:

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<u>Date of Memorandum</u>	<u>Name and Title</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
	<u>Memorandum from Mr. Young, Director, Division of Research and Statistics</u>		
3/10/52	Helen R. Grunwell, Chief Draftsman	\$5,185	\$5,310
	Helen A. Lupton, Assistant Chief Draftsman	4,705	4,830
	Mary P. McCormick, Draftsman-Illustrator	4,205	4,330
	Elizabeth N. Tyson, Library Assistant	3,175	3,255
	<u>Memorandum from Mr. Sloan, Director, Division of Examinations</u>		
2/25/52	J. E. McGeary, Assistant Federal Reserve Examiner	\$6,000	\$6,125
	<u>Memorandum from Mr. Allen, Director, Division of Personnel Administration</u>		
3/12/52	Rubye M. Zacharay, Clerk	\$2,950	\$3,030
	<u>Memorandum from Mr. Bethea, Director, Division of Administrative Services</u>		
3/4/52	H. W. Young, Mechanical Superintendent	\$5,685	\$5,810
	Donald W. Moon, Clerk, Procurement Section	3,785	3,910
	Karl J. Steger, General Mechanic	3,635	3,735
	Evelyn M. Lewis, Elevator Operator	2,770	2,840
	Saul Clanton, Assistant Gardener	2,552	2,632
3/5/52	Morris Mayhew, Gardener	3,454	3,534

Approved unanimously.

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Letter to the Honorable Margaret Chase Smith, United States Senate, Washington, D. C., reading as follows:

"This refers to your letter of March 4, 1952, which quoted a letter you had received from Mr. Frank Barrett, Barrett Motors, 469 Elm Street, Biddeford, Maine, concerning Regulation W--Consumer Credit.

"Mr. Barrett's thoughtful letter suggests that Regulation W be relaxed, at least in the maximum maturity provision for automobiles. He feels that with materials for durable goods becoming more plentiful there are likely to be more goods available than there are customers and that deflation rather than inflation is indicated particularly in certain consumer goods lines, including automobiles.

"The Board is watching developments in the markets for consumer durable goods closely and recognizes that there has been a considerable decline in demand in these markets compared with the high peaks reached a year ago. At the same time, as Mr. Barrett points out, there has been some easing of materials supplies, especially steel, aluminum and lead, although the continuing shortage of copper still seems likely to be a limiting factor in any early expansion of automobile output.

"Meanwhile, it appears that automobile demand generally has been more or less in balance with production, since dealers' inventories of new automobiles, as a whole, have remained at comparatively low levels in recent months. Some seasonal increase in automobile demand normally occurs in the spring. With production still curtailed by material shortages and heavy defense expenditures expected to maintain purchasing power at high levels, there would seem to be relatively little prospect of any considerable deflation developing in the automobile field over the immediate future.

"Although the amount of money borrowed to purchase automobiles would normally be expected to decline when production is limited, as Mr. Barrett suggests, this has not happened in the past year. The amount of instalment credit extended to purchase automobiles in 1951 is estimated to have been as large as the 7.3 billion dollars extended in 1950. While new automobile sales declined in 1951, the proportion of sales made on a credit basis increased. The average proportion of new passenger cars sold on instalment credit rose from 46 per cent in 1950 to 48 per cent in 1951; in the 5 months, August through December 1951, the proportion has averaged nearly 60

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"per cent. These figures suggest that the decline in automobile sales has reflected fewer cash sales rather than a curtailment of credit sales. It is also indicated that the regulation has curbed outstanding instalment credit through accelerating repayments rather than by unduly restricting credit sales. Limitations of production, of course, do not in themselves reduce demand; in fact, they add to the inflationary pressures that result from demand in excess of supply.

"Regulation W, as you know, is but one of the measures directed toward protecting the purchasing power of the dollar. Although there recently has been a comparative balance between inflationary and deflationary forces in the economy as a whole, the prospect for a heavy Federal deficit later this year, and the possibility of renewed waves of inflationary buying, in the Board's opinion, require the maintenance of effective credit restraints in the public interest at this time.

"We appreciate having this opportunity to comment on Mr. Barrett's letter and assure you that the views he expresses will be considered carefully in the Board's continuing study of the effects of consumer credit regulation."

Approved unanimously.

Letter to the Honorable James J. McInerney, Assistant Attorney General, Department of Justice, Washington, D. C., in regard to the matter of Temus Bright, Inc., Baltimore, Maryland, a registrant under Regulation W, Consumer Credit, reading as follows:

"Pursuant to Section 21 of the Securities Exchange Act of 1934, made applicable to the Board of Governors by Section 604 of the Defense Production Act of 1950, the Board of Governors is transmitting to you herewith a report concerning acts and practices which appear to the Board to constitute violations of its Regulation W by Temus Bright, Inc., Temus Bright, President, and Anna C. Bright; Secretary, Treasurer and sole stockholder. This report is sent to you in order that you may, in your discretion, institute criminal proceedings."

Approved unanimously.

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Letter to Mr. Olson, Vice President, Federal Reserve Bank of Chicago, in regard to the matter of Joe Coffey, doing business as Coffey Auto Market, 529 E. North Street, Decatur, Illinois, a registrant under Regulation W, Consumer Credit, reading as follows:

"Receipt is acknowledged of your letter of March 11, 1952, regarding the above matter, enclosing reports of investigations and other material, pursuant to paragraph (7) of the Board's letter of January 18, 1952 (W-179).

"In view of the fact that the violations found in the latest investigation were few in number and were apparently due to the acts of an employee who has been discharged, you are of the opinion that the registrant will now comply with the Regulation, and you recommend that the Board take no action at this time pending the result of a further investigation of this registrant tentatively scheduled for the first week in June 1952.

"Your recommendation is adopted, and no action will be taken at this time."

Approved unanimously.

Letter to the Presidents of all Federal Reserve Banks prepared in accordance with the understanding at the meeting on March 6, 1952, reading as follows:

"Attached hereto is a copy of a statement which has been submitted today for publication in the Federal Register concerning record-keeping provisions of Regulation W.

"You will note that the three specific proposed changes in the regulation in this regard relate to matters which were included on the list of possible changes forwarded with the Board's letter to all Reserve Banks dated January 11, 1952. That list was the subject of helpful discussions at the Inter-Bank Conferences in January and February. However, as the attached statement indicates, the Board's consideration of this matter is not limited to the three specific proposals.

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"It is our thought that the Reserve Banks may wish to give the matter more consideration than may have been possible in connection with the Inter-Bank Conferences. While this applies particularly to the three specific proposals, you may well have other suggestions for improving the record-keeping provisions of the regulation.

"We would appreciate receipt of your views or comments, together with copies of any submissions received by you from others, not later than April 8, 1952."

Approved unanimously, together  
with the following statement for publication in the Federal Register:

"Regulation W--Consumer Credit, issued by the Board of Governors of the Federal Reserve System pursuant to section 601 of the Defense Production Act of 1950, as amended, regulates instalment credit and contains certain provisions concerning records from which compliance with the statute and regulation by those subject thereto may be determined.

"The Board is considering the sufficiency of the provisions of the regulation concerning such records, including the desirability or necessity of clarifying certain of the provisions in question along the lines indicated below:

1. By amending subparagraph (3) of paragraph (c) of section 6 to read as follows:

(3) The amount of the purchaser's down payment (i) in cash and (ii) in property accepted as trade-in, together with a statement of the monetary value assigned thereto in good faith and such specific description as will permit the property to be readily identified;

2. By deleting the word 'and' at the end of subparagraph (5) of paragraph (c) of section 6; by substituting ';' and 'for the period at the end of subparagraph (6) of paragraph (c) of section 6; and by inserting after said subparagraph (6) the following new subparagraph (7):

(7) The date of delivery of the article or, in the case of an article listed in Group D, the date of completion of the agreed upon repairs, alterations, or improvements.

3. By amending the first part of paragraph (a) of section 8 to read as follows:

(a) Records, Reports, and Inspections. Every Registrant shall keep or make such books of account and other appropriate

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"records as may be necessary to establish whether or not a credit qualifies for exemption under section 7, or whether or not it is otherwise in conformity with or subject to the requirements of this regulation. All such books or records (including, in addition, any statements, agreements, or records required by or obtained pursuant to other provisions of this regulation) shall be preserved for the life of the obligation to which they relate; provided, however, that the Registrant may preserve photographic reproductions in lieu of such books or records.

"To aid in the consideration of this matter, the Board will be glad to receive from interested persons any relevant explanations, data, or other information. Although such material may be sent directly to the Board, it is preferable that it be sent to the Federal Reserve Bank of the district which will forward it to the Board to be considered. All such material should be submitted in writing to be received not later than April 2, 1952."

  
Secretary.