

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, March 31, 1952. The Board met in the Board Room at 9:30 a.m.

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

Mr. Carpenter, Secretary  
Mr. Thurston, Assistant to the Board  
Mr. Riefler, Assistant to the Chairman  
Mr. Vest, General Counsel  
Mr. Townsend, Solicitor  
Mr. Young, Director, Division of Research and Statistics  
Mr. Noyes, Director, Division of Selective Credit Regulation  
Mr. Swan, Acting Assistant Director, Division of Selective Credit Regulation  
Mr. Fauver, Assistant to Mr. Thurston  
Mr. Cherry, Legislative Counsel

Chairman Martin stated that Senator Maybank, Chairman of the Senate Banking and Currency Committee, called him around the middle of last week to raise the question as to the action the Board might take to liberalize Regulation W in view of the opinion among members of the Senate Committee that the terms should be relaxed. Chairman Martin stated that he told the Senator that he would not do anything with respect to submission of the problem to the Board in the absence of a written request from the Committee. In a subsequent conversation with

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Senator Maybank, Chairman Martin said, the former stated that Senator Capehart was pressing to limit the Board's authority so that the minimum maturity it could prescribe on automobile credits would be 24 months, that there was strong likelihood that such an amendment would be favored by a majority of the Committee, but that he (Senator Maybank) had gotten a postponement of a decision on that point until the matter could be discussed with the Board. Chairman Martin said he thought the matter was important enough for the Board to consider it, that he had called this conference for the purpose of reporting the matter to the Board, and that he had made no commitments whatever in his conversations with Senator Maybank.

Following a request from Chairman Martin for the comments of the members of the Board, Mr. Evans discussed the importance of selective credit control and expressed the view that while there might be economic grounds for relaxation in terms of listed articles other than automobiles, he felt that there was no justification for relaxation on automobiles since prices had continued to increase. He referred to a letter which he had received from the President of General Motors Acceptance Corporation suggesting that the regulation should not be liberalized to extend automobile terms beyond 18 months and that if such action were contemplated it would be better to suspend the regulation

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altogether. Mr. Evans also added that it was his understanding that the other two large national automobile financing companies would not disagree substantially with that position. It was Mr. Evans' suggestion that the Board take the position that it would prefer to have Congress drop the regulation altogether rather than have Congress write in any further relaxations because such a change would rob the regulation of any flexibility and make it ineffective as a credit control instrument. Mr. Evans went on to say that, if the Senate Banking and Currency Committee should recommend adoption of changes in the law specifying further relaxation of terms, the Board should go on record as opposing their adoption in the House, and that if the Congress should adopt the Senate recommendation the Board should recommend to the President that the bill be vetoed, but that if the legislation should be enacted the Board should undertake to administer the law for whatever it would be worth.

Mr. Powell raised the question as to the possibility of dropping the maturity requirements of the regulation and relying on the trade to police the terms that were granted. It was the consensus, following a discussion of this suggestion, that there would not be much, if anything, left in the regulation if the maturity requirements were abandoned.

After a brief discussion of a letter which Chairman Martin had received from Senator Moody urging a relaxation of automobile terms, Chairman Martin stated that he took it to be the consensus of the

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discussion that the Board was not disposed at the moment to make any changes in the regulation so far as automobiles were concerned irrespective of any action that the Senate Committee might take. Agreement with the position stated by Chairman Martin was indicated by the other members, Mr. Evans stating that later on, should automobile inventories begin to pile up, the situation might change but that at the present time no case could be made for the relaxation of automobile terms.

Mr. Vardaman requested the Chairman to make it plain to Senator Maybank that it was his opinion that the value of consumer credit regulation had been overplayed, that the damage done to the Board's position and its prestige far outweighed any imaginary good that came from Regulation W, and that he would strongly recommend that the regulation be repealed.

Mr. Mills suggested the reiteration of the position that the Board should have full flexibility under the law, that the limitations imposed in the amendments to the Defense Production Act in 1951 should be removed, and that the Board should be placed in a position in its discretion to be responsive and to relax or tighten regulations as its judgment and business conditions might dictate.

Mr. Evans said that that was his position.

Mr. Young commented that if the terms on instalment credit were substantially relaxed at the present time when the volume of instalment

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sales was higher than when the regulation went into effect in September 1950, there would be a substantial increase in the total volume of instalment credit outstanding, probably as much as \$1 billion and that in a period like the present when there was already a heavy demand for credit, that would mean a further increase in credit demands when the Government would be in the market competing for funds. He felt that that was a point which should be made to the Banking and Currency Committee.

Chairman Martin thought that if made at all it should be made carefully because the circumstances might prove the forecast to be incorrect.

Mr. Noyes stated that the point might be made by pointing out that in the fall of 1951 consumer instalment credit increased following the relaxation of instalment credit terms.

Mr. Fauver raised the question as to what would be the position of the Board if Congress should adopt a minimum maturity of 24 months on automobiles -- would the Board do the best it could to administer the regulation realizing that it would not be effective as a restrictive credit device, but on the other hand probably would operate to stimulate the extension of instalment credit. Chairman Martin referred to the statement which Mr. Evans had made in that connection and Mr. Evans said

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again that if more liberalized minimum terms were written into the law the Board should do the best it could to administer the regulation under the law.

Chairman Martin commented that the Board should be on record in opposition to such liberalization and in the ensuing discussion it was commented that there would be little likelihood of a veto by the President of the bill extending the Defense Production Act because of the liberalization of instalment credit terms unless there were other reasons why in the opinion of the President the legislation extending the Act should not be approved.

At this point all of the members of the staff with the exception of Mr. Carpenter 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 March 28, 1952, were approved unanimously.

Letter for the signature of the Chairman to Mr. J. J. Smith, Jr., c/o Hogan and Hartson, Colorado Building, Washington, D. C., reading as follows:

"In view of the recent developments in the Board's proceeding under the Clayton Act against Transamerica Corporation, the arrangement under which you have been retained by the Board as Special Counsel in this proceeding terminates with the end of March 1952.

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"On behalf of the Board of Governors, I wish to express to you our thanks for the able and valuable assistance you have rendered in connection with the legal phases of this matter that have arisen during the more than three years our arrangement has been in effect. Your advice has been most helpful to the Board in the consideration of all of these problems and we appreciate as well the prompt attention which you have given them."

Approved unanimously.

Memorandum dated March 24, 1952, from Mr. Leonard, Director, Division of Bank Operations, recommending that T. A. Veenstra, Jr., Analyst in the Division of Selective Credit Regulation, be transferred to the Division of Bank Operations as Analyst, with no change in his present basic salary of \$4,205 per annum, effective the date he assumes his new duties. The memorandum also stated that the Division of Selective Credit Regulation was agreeable to this transfer.

Approved unanimously.

Memorandum dated March 27, 1952, from Mr. Leonard, Director, Division of Bank Operations, recommending the appointment of Mary Frances Gifford as Statistical 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

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performance of her duties after having passed the usual physical examination and subject to the completion of a satisfactory employment investigation.

Approved unanimously.

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

"Reference is made to your letter of March 17, 1952, submitting the request of the Harvard Trust Company, Cambridge, Massachusetts, for approval of the establishment of a branch in Concord, Massachusetts, in connection with the proposed absorption of The Concord National Bank of Concord, Concord, Massachusetts.

"In view of your recommendation, the Board of Governors approves the establishment and operation of a branch in Concord, Massachusetts, by the Harvard Trust Company, Cambridge, Massachusetts, provided the absorption of The Concord National Bank is effected substantially in accordance with the plan submitted and the prior formal approval of the appropriate State authorities is obtained.

"It is understood that Counsel for the Reserve Bank will review and satisfy himself as to all steps taken with respect to the establishment of the branch."

Approved unanimously.

Telegram to Mr. Raisty, Assistant Vice President, Federal Reserve Bank of Atlanta, reading as follows:

"Reurtele March 27 to Solomon. We believe financing of purchase of adjoining land and cost of major addition to existing structure should be considered a mixed-purpose



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"loan. Registrant permissively may lend \$8,000 for acquisition of land and \$6,000, or 50 per cent of cost of addition, a total of \$14,000."

Approved unanimously.

Letter to the Presidents of all Federal Reserve Banks, prepared in accordance with action taken at the meeting on March 21, 1952, reading as follows:

"At the last joint meeting of the Conference of Presidents and the Board of Governors the possibility of additional retirement allowances for certain retired members of the Retirement System was discussed. The Presidents inquired whether the Board would collaborate with representatives of the Conference in exploring the possibilities of providing additional retirement allowances.

"This matter has been considered by the Board of Governors and it has come to the conclusion that it would not be desirable to undertake such a study at this time. In reaching this decision the Board carefully considered the views of the Presidents and was not unsympathetic to the considerations which gave rise to the proposal. However, it was pointed out that retired employees were given substantial supplementary payments in 1949 and that many of the allowances which might be regarded as being insufficient result from short periods of service and not from an inadequate retirement formula. Furthermore, supplementary retirement allowances would add materially to the cost of the Retirement System and it is the view of the Board that these additional costs should not be incurred now."

Approved unanimously.

Letter to the American Telephone and Telegraph Company,  
(attention: Mr. W. H. Harrington, Division Commercial Manager), 1809  
G Street, N. W., Washington, D. C., prepared in accordance with action

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taken at the meeting on March 18, 1952, reading as follows:

"Confirming informal advice given to your office on March 19, 1952 this is to advise you that the Board of Governors of the Federal Reserve System, with the concurrence of the Conference of Presidents of the Federal Reserve Banks, accepts your communication proposal dated November 1951 in accordance with which you agree to install an automatic teletypewriter system for the Federal Reserve System, with a switching center at Richmond, Virginia.

"The Board requests that, in addition to the circuits and equipment described in the proposal, you arrange to install a receiving-only teletypewriter at each of three additional locations in the Treasury Building, Washington, a receiving-only teletypewriter in the Liberty Loan Building, Washington, and a receiving and sending and a receiving-only teletypewriter in the Merchandise Mart in Chicago.

"The Board understands that the charge for the System described in your proposal, together with the additional equipment mentioned above, will be approximately \$21,500 per month, with a non-recurring installation charge of about \$23,000; that these charges as well as charges for any additions or deletions which may be decided upon before or after the effective service date will be made in accordance with approved tariffs which are on file with the Federal Communications Commission; and, that in accordance with statutory requirements, no member of or delegate to Congress, or resident Commissioner, shall be admitted to any share or part of this contract or to any benefit that may arise therefrom, but this provision shall not be construed to extend to this contract if made with a corporation for its general benefit.

"While your proposal does not specifically mention the following points of agreement, the Board also understands that:

1. You will keep one or two maintenance men on duty at the switching center whenever it is operating.
2. All outlying stations will be able to obtain prompt service by calling the maintenance room in

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"their city in the event of operating difficulty.

3. You will provide necessary training for operating personnel at the switching center and at all outlying stations.

4. Representatives of your Company will be present at the switching center and outlying stations during a 'dry run' test and for a time preceding and following the effective service date.

"The proposal states that it is expected the proposed System can be placed in service approximately eighteen months after receipt of an order but that this date might be altered somewhat depending upon conditions which prevail at the time the order is received. In our informal negotiations we were led to believe that the time required to complete the installation might be advanced as much as three months and anything that you can do to advance the date will be appreciated.

"Kindly acknowledge receipt of this letter and confirm the understandings set forth herein which are not specifically covered in your November 1951 proposal. Also, please accept our thanks for your fine cooperation and particularly that received from Mr. Wulfhorst, Mr. French and other representatives of your Company in making the necessary traffic studies and designing plans to meet the fast written communications requirements of the Federal Reserve System which, we have been assured, include the most modern equipment and reflect all recent improvements in the communications field suitable to our use."

Approved unanimously, together with a letter to the Western Union Telegraph Company (attention: Mr. T. E. Manning, Manager, Private Wire Services), 60 Hudson Street, New York, New York, giving formal notification that the use of private wire facilities now being furnished by that Company would be discontinued in approximately eighteen months, and a letter to the Presidents of all Federal Reserve Banks enclosing for their information copies of the above communications.

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Order suspending license under Regulation W, Consumer Credit, prepared in accordance with action taken at the meeting on March 18, 1952, in the matter of Video Meter, Inc., 108 Ninth Street, San Francisco, California, a registrant under Regulation W, reading as follows:

"UNITED STATES OF AMERICA  
BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

In the Matter of  
VIDEO METER, INC.,  
a California Corporation,  
108 Ninth Street,  
San Francisco, California.

ORDER SUSPENDING LICENSE UNDER REGULATION W

On March 26, 1952, the Board of Governors of the Federal Reserve System ordered that a hearing be held to determine whether or not the license of Video Meter, Inc., a California Corporation, San Francisco, California, hereinafter called the registrant, should be suspended, and

On March 27, 1952, said registrant, by its attorney, Richard G. Alberton, filed with the Board his 'Waiver of Hearing and Consent to Entry of Order Suspending Registrant's License', and

The Board, having considered the Waiver of Hearing and Consent to Entry of Order Suspending Registrant's License, aforesaid, HEREBY ORDERS, under authority of Section 601 of the Defense Production Act of 1950, as amended:

1. That the license of said registrant issued pursuant to Regulation W be and the same is hereby suspended for thirty days, from April 1 to April 30, 1952, both dates inclusive; provided, that this order shall not prohibit the receipt of any payments on existing obligations, or the making of payments of any obligations, including obligations to employees for salaries and wages.

2. Any terms used in this order that are defined in Regulation W shall have the meaning therein given them.

By order of the Board of Governors of the Federal Reserve System this 31st day of March, 1952.

(signed) Merritt Sherman,  
Assistant Secretary."

(SEAL)

Approved unanimously.

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Letter to the Honorable Lyndon B. Johnson, United States Senate, Washington, D. C., reading as follows:

"This refers to your letter of March 17, 1952, enclosing a letter from The Dysart Company, Plainview, Texas, dated March 14, 1952, regarding an extension of credit for the purpose of constructing an office building in Odessa, Texas, to be leased to an oil company.

"Mr. Dysart states in his letter that the owner of the property, Mr. Nedow, desires to borrow \$180,000 to construct a building costing that amount and for which a lease contract with a major oil company has already been executed. As stated in Mr. Dysart's letter the maximum loan that can be advanced in connection with this property under the provisions of Regulation X, Real Estate Credit, is 50 per cent of the appraised value of the land and building or approximately \$125,000 in this particular transaction. The necessary down payment must be made from the borrower's own non-borrowed funds; he is not permitted by the regulation to put up other real estate he owns as collateral security for an extension of credit to be used for all or a part of the necessary down payment. Section 4(b) of the regulation, Secondary Borrowing, specifically prohibits all forms of supplemental financing in excess of the maximum loan value of the property. In this respect, as you of course are aware, the objectives of the regulation are to conserve material resources for diversion to the defense production program and to complement other anti-inflation efforts by curtailing the expansion of real estate credit.


"With respect to a waiver of the regulation for this particular transaction, as suggested by Mr. Dysart, the Board has felt that it could not in equity to all the persons who are doing business under Regulation X grant individual exceptions from the provisions of the regulation, especially since most of the requested individual exceptions would give a superior competitive advantage to those receiving them over other persons doing business under the more restrictive terms of the regulation.

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"We have been advised by the Advisory Committee for Defense Areas of the Defense Production Administration that Odessa, Texas, is not now a part of critical defense housing area. Even if the area were so certified, it would not affect credit for private nonresidential property in the area since that procedure calls only for the suspension of residential credit restrictions in connection with certain housing units programmed by the Housing and Home Finance Administrator.

"Amendment No. 6 to Regulation X added Section 5(a), Essential Nonresidential Defense Construction, under which in exceptional circumstances a Federal Reserve Bank will issue a certificate of exemption from the prohibitions of the regulation for proposed nonresidential construction if the head or assistant head of an appropriate agency or department of the United States Government certifies it to be essential to the national defense, but there is nothing in the letter from The Dysart Company to indicate that that provision would be applicable in the case of the office building Mr. Nedow wishes to build. As you requested, Mr. Dysart's letter is being returned herewith."

Approved unanimously.

  
Secretary.