Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, May 29, 1952. The Board met in executive session in the Board Room at 10:00 a.m.

PRESENT: Mr. Szymczak, Chairman pro tem.
Mr. Evans
Mr. Powell
Mr. Mills
Mr. Robertson

At the conclusion of the executive session, Mr. Carpenter, Secretary, was called into the meeting.

There was presented a memorandum from the Division of Personnel Administration dated May 16, 1952, recommending that Mr. Hostrup, Assistant Director, Division of Examinations, be permitted to accept appointment for the unexpired portion of a 4-year term ending in May 1953 as the representative of the Wood Acres (Maryland) Citizens Association on the Conduit Road Fire Board, Inc., Glen Echo, Maryland.

Following a discussion, the recommendation was approved unanimously.

Messrs. Sherman, Assistant Secretary, and Leonard, Director, Division of Bank Operations, joined the meeting at this point.

Before this meeting, there had been circulated among the members of the Board a draft of telegram to Mr. Erickson, President of the Federal Reserve Bank of Boston, with respect to installation of air conditioning equipment in the addition being made to that Bank's building, together with a memorandum from the Division of Bank Operations dated May 26, 1952.
recommending that the Board approve the Boston Bank's request for approval of the purchase of equipment for such an installation.

At Governor Szymczak's request, Mr. Leonard reviewed the background of the present program for adding to and modernizing the building of the Federal Reserve Bank of Boston, stating that the Bank had been authorized by the Board in March 1951 to proceed with the new building, that it had effected substantial savings in the building program, and that it now had been informed by the National Production Authority that equipment for installation of an air conditioning system would be available. Such equipment for the addition would cost approximately $215,000 plus other changes in the specifications which would amount to about $23,000, Mr. Leonard said, and it was expected that these additional costs would still leave the total within the amount of $4,300,000 which was the amount authorized by the Board on March 22, 1951, plus architect's and clerk-of-the-works' fees and charges. In his comments, Mr. Leonard pointed out that installation of air conditioning equipment in the addition to the Boston Bank's building under the present program would be followed later by a request for authorization to air-condition the existing building when more definite information on the remaining work to be done therein was available, so that approval of the present request would in effect amount to a moral commitment to approve air conditioning of the existing building at a later date.
Following a discussion, unanimous approval was given to a telegram to Mr. Erickson as follows:

"Referring your May 23 letter, the Board of Governors will interpose no objection to your Bank's installing air conditioning equipment in the addition, recognizing that request for authorization to air condition existing building will follow when more definite information on remaining work to be done therein is available."

Mr. Leonard then referred to a request from the Federal Reserve Bank of Atlanta dated May 9, 1952, for authorization to purchase two properties adjoining the present Birmingham Branch building. The proposed purchase was described in a memorandum prepared in the Division of Bank Operations under date of May 27, 1952, which had been circulated among the members of the Board for information prior to consideration at a meeting. The memorandum stated that the two properties which the Bank proposed to purchase had a total frontage of 150 feet and depth of 140 feet, that the cost would be $202,500, that the land had been appraised at $225,000, that there was no doubt that it would be desirable to purchase adjoining land as a site for an addition to the present building, and that the only question seemed to be whether the land it was proposed to acquire was all needed. Mr. Leonard went on to say that Mr. Bryan, President of the Atlanta Bank, strongly urged the purchase of both properties with the idea that an addition would be built on the adjoining lot as soon as conditions permit while the other lot would be utilized
for parking purposes. The additional lot, Mr. Leonard noted, would pro-
vide protection for the existing property, and the investment ($90,000)
necessary to acquire it was small when figured over the life of the build-
ing.

In response to a question by Governor Evans, Mr. Leonard stated
that it was recommended unanimously by the directors of the Birmingham
Branch, including Mr. Holt, Chairman of the Branch Board, as well as by
directors of the Federal Reserve Bank of Atlanta.

Following a discussion,
unanimous approval was given
to a letter to Mr. Bryan, Presi-
dent of the Federal Reserve Bank
of Atlanta, reading as follows:

"This refers to your letter of May 9, 1952, concern-
ing the proposed purchase by your Bank of the two properties
adjoining the Birmingham Branch building.
"The Board has considered the matter and will interpose
no objection to the purchase of these properties at a total
cost of $202,500, with the usual provisions regarding prora-
tion of taxes."

Mr. Leonard then referred to the Board's letter of December 7,
1950 (E-1220) in which the Federal Reserve Banks were advised that in
the light of the needs of the Defense Production Program and under condi-
tions existing at that time it did not favor construction involving new
Federal Reserve Bank buildings or extensive improvements to such buildings
unless the need therefor was of an emergency as distinguished from an
urgent character. Mr. Leonard went on to say that Mr. Persina, Consulting
Architect, felt that conditions for making improvements to buildings of
the type occupied by the Federal Reserve Banks would be favorable during
the next 6 to 9 months and he raised the question whether it would be
desirable to modify the existing letter of instructions with a view to
informing the Federal Reserve Banks that the Board would give considera-
tion to their undertaking improvements to Federal Reserve Bank head office
buildings. Mr. Leonard added the comment that several Federal Reserve Bank
branch buildings were in urgent need of modernization or replacement but
that little or none of that work could be undertaken within the existing
statutory limitations on expenditures that might be incurred for branch
building construction.

This matter was discussed at some length and at the conclusion of
the discussion it was understood that Mr. Leonard would prepare a draft
of letter to the Federal Reserve Banks along the lines discussed and
submit it for the consideration of the Board.

At this point, Mr. Leonard withdrew from the meeting and Mr. Allen,
Director of the Division of Personnel Administration, entered the room.

Governor Szymczak read a draft of letter to Mr. Leach, Chairman
of the Presidents' Conference, suggesting inclusion on the agenda for the
forthcoming meeting of the Conference a topic raising the question whether
Federal Reserve Banks should set the mid-points of their salary grades
within the top quarter-bracket of the community average of salaries paid
by local progressive employers rather than within the third quarter-bracket.

During the ensuing discussion, Governor Evans reviewed the adoption of the job classification plan by the Federal Reserve Banks in 1947, stating that at that time it was expected that Federal Reserve Banks would set the mid-point of the salary scales for non-officer positions somewhere in the third quarter-bracket of the range of local progressive employers, but that as time had gone on there had been a tendency for them to set their scales near the bottom of that quarter, and that in his opinion it would be desirable if they were set considerably higher, preferably in the fourth quarter-bracket. The purpose of the proposed letter, Governor Evans said, was to bring the subject up for discussion at the next meeting of the Presidents.

After a discussion, during which the draft of letter to Mr. Leach was revised in accordance with a suggestion made by Governor Mills, unanimous approval was given to the letter, in the following form:

"It was the opinion of the Presidents' Conference at the time the current job evaluation program was established that the Reserve Banks should be among the leaders in salary administration in their respective areas. In accordance with this opinion it has been the general practice of the Banks to set the mid-points of their salary grades within the third quarter bracket of salaries paid by local progressive organizations. However, there has been a tendency on the part of the Banks in recent years to place their mid-points closer to the bottom of the third quarter bracket. Consequently, there may be a question as to whether the Reserve Banks are in fact among the leaders in salary administration in their areas at the present time."
"The suggestion has been made that the Reserve Banks consider placing their grade mid-points in the top quarter bracket rather than in the third quarter bracket in order to assume the leadership which is felt desirable. Wage stabilization rules probably would prevent such a change in policy at the present time but it might be desirable to follow a course of setting mid-points of the salary grades well up in the third quarter bracket rather than close to the bottom of the bracket.

"Accordingly, we would like to suggest that the matter be placed on the agenda of the forthcoming Presidents' Conference."

Governor Szymczak then referred to a draft of letter to the Presidents of all Federal Reserve Banks relating to increases in salaries of officers of Federal Reserve Banks prepared in accordance with the action taken at the meeting of the Board on May 26, 1952. The draft was discussed and it was understood that it would be revised and given further consideration at a later meeting of the Board.

Mr. Allen withdrew from the meeting at this point and the following members of the staff entered the room:

- 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. Noyes, Director, Division of Selective Credit Regulation
- Mr. Benner, Assistant Director, Division of Selective Credit Regulation

Mr. Noyes distributed copies of a memorandum which he had prepared under date of May 28, 1952, with respect to a possible relaxation of
Regulation X, Real Estate Credit. The memorandum presented a revision of the schedules which had been included in a similar memorandum from Mr. Noyes dated May 13, 1952 and discussed at the meeting on May 13, 1952. Mr. Noyes stated that the schedules in his present memorandum were based upon suggestions made by Mr. Foley, Housing and Home Finance Administrator, in response to the proposal made to Mr. Foley following the meeting on May 16, that there were no technical problems connected with making the schedules effective, and that the questions that might be raised related principally to the desirability of some relaxation in the regulation at this time and particularly to the question whether if any relaxation were to be made the Board would wish to adopt a schedule such as that suggested by Mr. Foley for houses valued at less than $7,000 which eliminated down-payment requirements on loans guaranteed by the Veterans Administration (but would retain the requirement that closing costs be paid in cash), and which would reduce from 10 per cent to 7 per cent the down payment required on FHA as well as conventional mortgages, including closing costs. Mr. Foley felt rather strongly, Mr. Noyes said, that if the terms of the regulation on houses selling between $7,000 and $12,000 were to be smoothed along the lines discussed at the meetings on May 13 and 16, and if down-payment requirements for houses selling in the upper price-brackets were to be relaxed, it would be equitable to make some relaxation for properties selling for less than $7,000. Accordingly, he had suggested this schedule
as an alternative to eliminating entirely down-payment requirements on conventional and Government aided mortgages covering properties selling for less than $7,000. In response to questions, Mr. Noyes commented that the probable volume of construction of properties selling for less than $7,000 would be relatively small both in number of housing units and in volume of credit. He also commented upon a proposed adjustment in the schedule of down-payments on multi-family dwellings, stating that Mr. Foley had made a proposal designed to bring such requirements closer into line with requirements applicable to 1-4 family dwellings, and that he felt it desirable to follow Mr. Foley's suggestion in this respect if any modification was made in the schedule.

During the ensuing discussion, Mr. Young stated that in a telephone conversation Mr. Blough, member of the Council of Economic Advisers, had indicated to him this morning that he doubted the desirability of any relaxation in real estate credit regulations at a time when the building market was booming, that although he could see some justification for relaxation of the schedule in the upper price houses, he would be very reluctant to see any action that led in the direction of no-down-payments in any price bracket. Mr. Young added that Mr. Blough said he intended to discuss the matter with Mr. Foley.

There followed a general discussion of current building activity and of the possible effects of a relaxation such as that outlined in the
memorandum distributed at this meeting.

During this discussion, Mr. Rieflel expressed the view that the proposed schedule submitted in Mr. Noyes' memorandum dated May 28 was internally consistent and fair as between different price brackets. He also said that the proposed relaxations were fairly minor in any given area in terms of the actual increase that might result in building except possibly in the non-residential building provisions, but that taken as a whole, their adoption might result in a considerable increase in the aggregate amount of building at a time when the industry as a whole was operating at a high level.

Mr. Young stated that he agreed generally with this position although he was reluctant to see a relaxation of terms at a time when building appeared to be booming.

Mr. Thomas expressed the view that from the standpoint of general stability in the economy any restraint that could be put on building this year would be helpful in preventing further rises in activity which might be followed by substantial declines two or three years hence, that he was not at all certain that the proposed change in terms would create much inflation this year, and that there might be practical reasons why these particular changes should be made as a matter of equity even though in general he felt it desirable to keep restraints on building. He also stated that from the standpoint of the Government securities market any
increased demand for mortgage funds would only worsen the present problem with which the Treasury was faced in its financing.

At the conclusion of the discussion it was understood that further consideration would be given to the possible relaxation of Regulation X at a meeting next week.

There were presented telegrams to the Federal Reserve Banks of Boston, Chicago, St. Louis, and San Francisco stating that the Board approves the establishment without change by the Federal Reserve Banks of Boston and St. Louis on May 26, by the Federal Reserve Bank of San Francisco on May 27, and by the Federal Reserve Bank of Chicago on May 28, 1952, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

At this point all of the members of the staff with the exception of Messrs. Carpenter and Sherman 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 May 28, 1952, were approved unanimously.

Memorandum dated May 28, 1952, from Mr. Bethea, Director, Division of Administrative Services, recommending the appointment of Thomas J. Allen as Cafeteria Laborer in that Division, on a temporary basis for a period of two months, with basic salary at the rate of $2,552 per annum, effective as of the date upon which he enters upon the performance of his duties after having passed the usual physical examination.
and subject to the completion of a satisfactory employment investigation.

Approved unanimously.

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

"Reurtel May 28, 1952. Board approves designation of Weston Leonard Bonney as special assistant examiner for the Federal Reserve Bank of Boston."

Approved unanimously.

Telegram to Mr. Sanford, Assistant Vice President, Federal Reserve Bank of New York, reading as follows:

"Your letter May 23, 1952. Board approves the opening and maintenance of an account on your books in the name of the Japanese Government subject to the usual terms and conditions upon which your bank maintains accounts for foreign central banks and governments.

"It is understood that you will in due course offer participation in this account to the other Federal Reserve Banks."

Approved unanimously.

Letter to Mr. Heflin, Counsel, Federal Reserve Bank of Richmond, reading as follows:

"Reference is made to your letter of April 13, 1951 referring to the Board the matter of apparent violations of Regulation W by Arnold Sales Company, Baltimore, Maryland.

"As you will remember, this case was discussed orally on several occasions by you and Mr. Chase and Mr. Townsend, and it was the consensus that further action should be deferred pending a reinvestigation of the registrant."
"In view of the fact that the regulation has been suspended, the Board is now closing its file on this matter."

Approved unanimously.

[Signature]

Secretary.