

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, June 2, 1952. The Board met in executive session in the Board Room at 10:00 a.m.

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

Following the executive session, Mr. Carpenter, Secretary, Mr. Vest, General Counsel, and Mr. Solomon, Assistant General Counsel, were called into the meeting.

In accordance with the understanding at the meeting on May 29, there was presented a revised draft of letter to the Presidents of all Federal Reserve Banks reading as follows:

"In its letter of February 26, 1952, the Board of Governors stated that it hoped a procedure for approving the salaries of officers of the Federal Reserve Banks could be worked out which would discharge the responsibility placed upon the Board of Governors by Congress and at the same time would permit the boards of directors a maximum amount of latitude.

"In order to facilitate approval of official salaries this year maximums for various official categories were set, based upon the salaries paid during recent years. Several of the Banks have indicated that such maximums have caused inequities in individual cases which should be corrected as soon as feasible. It appeared undesirable to take each such request individually to the Salary Board, but since it is now possible to present them simultaneously, the Board of Governors is prepared to consider such adjustments as your directors feel are necessary to correct inequities. Those adjustments approved by the Board of Governors will be presented to salary stabilization officials with the recommendation that they authorize the increases proposed.

"The Board still intends to consider the feasibility of establishing a salary plan for officers. The formulation

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"of such a plan will undoubtedly require considerable time, and, accordingly, it appears desirable to attempt to adjust promptly any internal salary relationships that are out of line.

"Please advise us if you have any cases which in the opinion of your directors require immediate action and in each case which you submit, please state specifically why an inequity exists."

Approved unanimously.

Mr. Sherman, Assistant Secretary, joined the meeting at this point.

Mr. Vest stated that a memorandum had been received from the President dated May 23, 1952, regarding S. J. Res. 122, "to impose limitations with regard to executive agreements", and S. J. Res. 130, proposing a constitutional amendment "relative to the making of treaties and executive agreements." A memorandum from Mr. Solomon dated May 28, 1952 and a copy of the proposed resolutions as well as a copy of the memorandum from the President had been sent to each member of the Board before this meeting.

Following a discussion, a letter to the President was approved unanimously in the following form:

"This refers to your memorandum of May 23, 1952, regarding S. J. Res. 122 'to impose limitations with regard to executive agreements' and S. J. Res. 130 proposing a Constitutional amendment 'relative to the making of treaties and executive agreements.'

"In view of the nature of the functions performed by the Board of Governors and the Federal Reserve Banks, the

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"Board does not feel that it would be in a position to offer statements or comments of sufficient relevancy to warrant asking to testify on the joint resolutions. However, the Board will watch closely developments in this matter so that it can be prepared to act promptly if the proposed resolutions should be expanded so as to affect Federal Reserve operations."

Chairman Martin then referred to a memorandum addressed to him by Mr. Vest dated May 29, 1952 transmitting a routine request, dated May 23, from the Chairman of the House Committee on Interstate and Foreign Commerce asking for a report on H. R. 7955, a bill to amend the Securities Exchange Act of 1934 so as to extend authority for setting margin requirements on certain unlisted securities. Mr. Vest stated that two years ago the Board gave approval to a proposal which would extend margin requirements to unlisted securities, that the present proposal was similar in nature to the one earlier approved by the Board but that it would be more comprehensive since fewer exemptions from the requirement would be permitted by the bill. Mr. Vest went on to say that Mr. Cherry, Legislative Counsel, had been informed by members of the Committee's staff that the proposed legislation was not likely to be considered at this session of Congress, and that under the circumstances he would recommend that no report be submitted unless a further request were received.

It was agreed unanimously that the memorandum from Mr. Vest, dated May 29, 1952 would be circulated for the information of the members of the Board, that at least for the time being

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no report would be made on the bill, but that should another request be received it would be brought to the attention of the Board promptly.

Mr. Thurston, Assistant to the Board, and Mr. Noyes, Director of the Division of Selective Credit Regulation, joined the meeting at this point.

Chairman Martin stated that he felt it would be desirable to invite Mr. Foley, Housing and Home Finance Administrator, to meet with the Board before reaching a decision on what, if any, action of a relaxing nature would be taken in connection with Regulation X, Real Estate Credit.

Governor Evans stated that Mr. Foley had indicated that he felt some relaxation would be appropriate which would not result in much increase in the volume of housing credit. Governor Evans felt that the Board should reach a decision as to whether it desired to relax the regulation, adding that in his opinion the down payment requirements for houses valued in excess of \$12,000 should be modified so as to reduce the maximum to 33-1/3 per cent compared with the present 50 per cent, and that terms on houses valued from \$7,000 to \$12,000 should be smoothed so as to eliminate the "step" arrangement now in effect, the latter action resulting in only minor relaxation. Governor Evans went on to say that while Mr. Foley felt it would be desirable to do both of these things, he also suggested relaxation for houses valued at less than \$7,000, whereas

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he (Governor Evans) would prefer that there be no relaxation in that price bracket inasmuch as the present down payment requirements were at a level which, at the recent hearing on the Defense Production Act, some members of the House Banking and Currency Committee considered to be reasonable.

Mr. Thurston stated the impression had been created that the Board would modify the terms of Regulation X, that Mr. Foley had made statements which had also been interpreted as indicating relaxation was impending, and that he felt it necessary to reach a decision one way or another and make an announcement, preferably before the end of this week.

Mr. Benner, Assistant Director of the Division of Selective Credit Regulation, joined the meeting at this point.

There was a general discussion of the existing terms of Regulation X and of the possible desirability of changes in the regulation or of its suspension, at the conclusion of which it was agreed that the matter would be considered again at a meeting tomorrow.

Messrs. Thurston, Vest, Noyes, Solomon, and Benner withdrew at this point and Mr. Young, Director of the Division of Research and Statistics, entered the room.

Before this meeting there had been circulated among the members of the Board a memorandum from Mr. Young dated April 28, 1952 relating to

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revision of the Board's index of industrial production, authorized by the Board on March 3, 1950.

In response to Chairman Martin's request, Mr. Young made a statement with respect to the progress of the work in which he said that it was hoped that the revision could be completed before the end of this year. Mr. Young went on to say that apart from the need for periodic revision of the index, it had long been recognized that it would be desirable to expand its coverage to include, in addition to manufacturing and mining, activity in the construction, transportation, and possibly the service industries. He also said that the usefulness of the data on production could be greatly increased by developing new combinations of output indexes in terms of types of products. Mr. Young felt that these two lines of development offered an opportunity to make production data more useful at a small cost, that the work should be made a part of the regular work of the Division of Research and Statistics, and that it would be highly desirable for members of the present staff to turn to these problems as soon as revision of the industrial production index was completed. To this end, he recommended authorization be given to:

- (1) Continue the work on the revision of the index of industrial production through remainder of 1952;
- (2) Undertake, as soon as the revision is completed, the new lines of work outlined above; and

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- (3) Change the appointments of the three employees engaged in the revision work from a temporary definite basis to a temporary indefinite basis.

There followed a general discussion of the construction of the Board's industrial production index, the sources of data used in the index, the professional and clerical personnel working on the index, and the annual cost of maintenance of the index. The discussion also touched upon the use of the industrial production index to the Board, to other Governmental agencies, and to private industry, as well as upon the relationship of an index of the physical volume of industrial production to the series on gross national product prepared by the Department of Commerce. Mr. Young stated during the discussion that the proposal to place on a temporary indefinite basis the three workers (Mr. Cody, Mrs. Black, and Mrs. Townsend) who had been employed on revision of the index would involve an annual expenditure of around \$8,000, and that it would be of assistance in planning work during the summer months to know whether the Board was sympathetic to carrying on further work in perfecting its index of industrial production. During this discussion it also was suggested that it would be desirable to have the structure of the Board's industrial production index explained more fully by members of the Division of Research and Statistics at a later meeting of the Board.

Following the discussion, unanimous approval was given to Mr. Young's recommendations as set forth above.

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Chairman Martin referred to questions raised by Mr. Young in a memorandum dated April 28, 1952, with respect to a proposed Eighth Annual Survey of Consumer Finances to be undertaken in 1953 and to an interim survey proposed to be undertaken next month as a means of checking upon the results indicated by the Seventh Annual Survey of Consumer Finances conducted early this year. The Chairman stated that he felt it would be desirable to defer a decision on this matter until Governor Vardaman could be present unless there were pressing reasons for taking action before that time.

Mr. Young stated that his memorandum covered two points, namely, the Eighth Annual Survey to be undertaken next year and the question whether an interim survey should be undertaken this summer for the purpose of verifying the results of the 1952 survey or checking to see whether consumers had changed their views in recent months. Mr. Young went on to say that if the interim survey were to be undertaken in July, a decision should be reached as quickly as possible inasmuch as planning and organization of the work would require decisions both at the Board and at the University of Michigan which would require some little time. Mr. Young also said that it was expected that if the interim survey were made it could be paid for out of funds authorized for the Seventh Annual Survey which totaled \$160,000 (\$150,000 under contract plus \$10,000 contingency funds).

There followed a discussion of the use made by the Board as well as by others of the surveys of consumer finances conducted in recent

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years during which it was agreed that the matter would be taken up at a meeting next week.

Mr. Young then referred to a proposed series of data relating to real estate credit discussed at the meeting of the Board on January 2, 1951. Mr. Young stated that preliminary work relating to the technique of developing better statistical information on real estate credit had progressed sufficiently to discuss the matter at a President's Conference with a view to ascertaining their views concerning the desirability of such a series. The Presidents felt it would be desirable to collect such figures on a sampling basis and that the proposal would not be so burdensome on reporting agencies as to present much of a problem. These views had been expressed several months ago, Mr. Young said, but he recently had been given to understand by President Erickson of the Boston Bank that he felt it still would be desirable to collect figures of real estate credit activity in view of the fact that existing data were inadequate, slow in becoming available, and of somewhat doubtful reliability. Mr. Young went on to say that several additional months of planning work would be needed if the series were undertaken and that he was raising the question whether the Board felt any further work should be done or whether, under existing circumstances, it would be preferable to abandon the project.

Governor Powell stated that he felt it would be desirable to

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Proceed with the work looking toward collection of better data on real estate credit activity. During a general discussion, Chairman Martin suggested that Governor Powell and Governor Mills be appointed to look into the question and submit a recommendation to the Board.

This suggestion was 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 29, 1952, were approved unanimously.

Letter to Mr. Neely, Federal Reserve Agent, Federal Reserve Bank of Atlanta, reading as follows:

"In accordance with the request contained in your telegram of May 28, 1952, the Board of Governors approves the appointment of O. E. Davis, Jr., as Federal Reserve Agent's Representative at the Nashville Branch, effective June 1, 1952, with salary at the rate of \$5,000 per annum, to succeed Mr. Stuart H. Magee.

"This approval is given with the understanding that Mr. Davis will be placed upon the Federal Reserve Agent's pay roll and will be solely responsible to him or, during a vacancy in the office of the Federal Reserve Agent, to the Assistant Federal Reserve Agent, and to the Board of Governors, for the proper performance of his duties. When not engaged in the performance of his duties as Federal Reserve Agent's Representative he may, with the approval of the Federal Reserve Agent or, in his absence, of the Assistant

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"Federal Reserve Agent, and the Vice President in charge of the Nashville Branch, perform such work for the Branch as will not be inconsistent with his duties as Federal Reserve Agent's Representative.

"Mr. Davis should execute the usual oath of office which should be forwarded to the Board."

Approved unanimously.

Letter to Mr. Myron B. Griswold, Assistant Treasurer, The New York Trust Company, 100 Broadway, New York, New York, reading as follows:

"This will acknowledge your letter of May 21, 1952, stating that on March 15, 1922, your bank applied for permission to accept drafts for the purpose of furnishing dollar exchange but that you are unable to find any specific reply to such letter, although you have been advised by the Federal Reserve Bank of New York that your institution appears on a list of banks which have such power. You have requested confirmation that your bank has been granted permission to accept drafts or bills of exchange for the purpose of creating dollar exchange.

"According to the Board's records, in a letter dated March 15, 1922, Mr. Frederick W. Walz, Treasurer of your bank, stated that the Federal Reserve Bank of New York had advised that it was without record of your having received permission to accept drafts and bills of exchange up to 100 per cent of your capital and surplus. Although the letter requested authority for permission to accept drafts or bills of exchange up to 100 per cent of capital and surplus, and also for the purpose of furnishing dollar exchange, the Board's letter of March 22, 1922, in reply indicated approval of the application for permission to accept up to 100 per cent of your paid-in capital and surplus, pursuant to the recommendation of the Federal Reserve Bank of New York through which the letter dated March 15, 1922, was transmitted. It is assumed that further authority was not considered necessary in order for your bank to accept drafts or bills of exchange for the purpose of creating dollar exchange as this authority had been granted on February 8, 1921.

"In a letter dated February 9, 1921, Mr. W. W. Hoxton, Secretary of the Federal Reserve Board, had advised Mr. Harry Forsyth, Treasurer, The New York Trust Company, 26 Broad Street, New York City, as follows:

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'Referring to your letter of February 7, 1921, the Federal Reserve Board, at its meeting on February 8, 1921, approved the application of The New York Trust Company, New York City, for permission to accept drafts, to run not longer than ninety days, drawn upon it by banks or bankers in the following countries:

Argentina	British Guiana	Nicaragua
Bolivia	Peru	Panama
Brazil	French Guiana	San Salvador
Chile	Uruguay	Porto Rico
Venezuela	Costa Rica	Santo Domingo
Colombia	Guatemala	Trinidad
Ecuador	Dutch Guiana	Cuba
Paraguay	Honduras	British Honduras

'At the same time the Board also approved the application of The New York Trust Company, New York City, for permission to accept drafts, to run not longer than ninety days, drawn upon it by banks or bankers located in Australia, New Zealand and other Australasian dependencies, for the purpose of creating dollar exchange.

'The Board, of course, reserves its right to modify or, on ninety days' notice, to revoke its approval, either as to any particular member bank or as to any country.' Under date of February 10, 1921, Mr. Forsyth acknowledged receipt of the letter.

"According to the records of the Board, the foregoing authorization is still in effect. Accordingly, your bank is authorized to accept drafts or bills of exchange for the purpose of furnishing dollar exchange as required by the usages of trade in such countries, dependencies, or insular possessions of the United States as may have been designated by the Board of Governors, subject to the provisions of the Federal Reserve Act and the Board's Regulation C issued pursuant thereto.

"Enclosed is a list of the countries with respect to which the Board of Governors has found that the usages of trade require the furnishing of dollar exchange."

Approved unanimously, with
a copy to Mr. Wiltse, Vice President,
Federal Reserve Bank of New York.

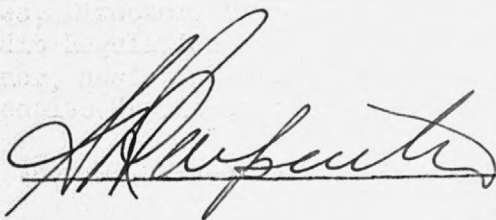
Memorandum dated May 28, 1952, from Mr. Chase, Assistant Solicitor,
reading as follows:

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"The Federal Reserve Bank of San Francisco wrote the Board on April 9, 1951 stating that information already obtained indicated that four automobile dealers and two finance companies in and around San Francisco were working together to evade Regulation W and to conceal the evasions. The Reserve Bank asked for orders for investigation so that full information could be developed.

"The investigation centered around Public Loan Corporation and one automobile dealer, and these cases were referred to the Department of Justice. It was not found to be necessary to pursue the other cases, and nothing further has been done with respect to them. Accordingly, it is recommended that the Board's files with respect to them be closed. They are: Fireside Finance Company, McCamey and Guy Motor Sales, George M. Plichcuh, doing business as Reliable Used Car Co., and P. C. Lisle, doing business as Lisle Motor Co., San Francisco, California."

Approved unanimously.



Secretary.