

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, June 19, 1952. The Board met in the Board Room at 9:30 a.m.

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

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Leonard, Director, Division of
Bank Operations
Mr. Vest, General Counsel
Mr. Allen, Director, Division of
Personnel Administration

Mr. Carpenter referred to the joint statement on the Savings Bond program to be sent to the chief executive officer of each commercial bank in the country over the signatures of the Chairman of the Board of Governors, the Comptroller of the Currency, the Chairman of the Federal Deposit Insurance Corporation, the President of the National Association of Supervisors of State Banks, and the President of the American Bankers Association. He stated that question had been raised as to payment of the cost of printing and distributing the statement.

Following a discussion, it was agreed unanimously that the Board would pay the cost of printing and distributing the statement in the form approved on June 13, 1952.

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There was presented a memorandum dated June 12, 1952, from Mr. Carpenter, Secretary of the Board, recommending the appointment of Beverly Ann Mealey as File Clerk in the Office of the Secretary on a temporary basis for a period of six months, with basic salary at the rate of \$2,950 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed the usual physical examination and subject to the completion of a satisfactory employment investigation.

Approved unanimously.

There was presented a memorandum dated June 11, 1952, from Mr. Carpenter, Secretary of the Board, recommending the appointment of Hannah Winter Nielsen as File Clerk in the Office of the Secretary on a temporary basis for a period of six months, with basic salary at the rate of \$3,030 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed the usual physical examination and subject to the completion of a satisfactory employment investigation.

Approved unanimously.

Governor Vardaman joined the meeting at this point.

There was presented a draft of letter to Mr. Roger W. Jones, Assistant Director, Legislative Reference, Bureau of the Budget,

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Washington, D. C., in response to a letter requesting an expression of views with respect to a proposed executive order entitled "Executive Order Delegating Certain Powers to the Small Defense Plants Administrator". The draft had been circulated for consideration prior to this meeting.

Unanimous approval was given
to the letter in the following
revised form:

"This is in response to your letter of June 13, 1952, to Chairman Martin, requesting an expression of views with respect to an enclosed draft of a proposed Executive Order entitled 'Executive Order Delegating Certain Powers to the Small Defense Plants Administrator'.

"The proposed Order would delegate to the Small Defense Plants Administrator the authority conferred upon the President by section 708 of the Defense Production Act of 1950, as amended, insofar as it relates to small-business production pools. It is understood that the Order relates to production pools formed for the purpose of enabling small concerns to participate in the performance of contracts which they could not effectively perform individually, and that the Order does not relate to the financing of such pools or the participating business concerns. With this understanding, the Board sees no reason to object to the issuance of the proposed Executive Order."

Chairman Martin stated that he had received a memorandum from Mr. Cherry, Legislative Counsel, dated June 19, 1952, referring to S. 2968, a bill which would create a committee composed of the Chairman of the Board of Governors, the Secretary of the Treasury, and the Director of the Bureau of the Budget to study and report on the proper

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method of funding the Civil Service Retirement fund, such report to be submitted by June 30, 1953. Chairman Martin stated that the reason he was mentioning this matter was that it appeared probable that the bill would be approved by the Congress and that if the Board felt it undesirable to have its Chairman included on such a committee, action should be taken to object to the bill in its present form. There was a discussion of the work that would be necessary in making such a study and preparing a report, of the source of funds that would be available in connection with any staff work that might be necessary, and of the indicated desire of Senators sponsoring the bill to have a study made by a top-level committee composed of officials who are familiar with the Government's fiscal policy and who would be independent in their relationships to the retirement system. At the conclusion of the discussion it was agreed that no action should be taken to object to the bill in its present form.

Before this meeting there had been circulated among the members of the Board a memorandum from Mr. Leonard dated June 10, 1952 with respect to Federal Reserve Bank building programs. The memorandum reviewed current construction and prospective projects that would be either urgent or desirable. It also referred to the Board's letter of December 7, 1950, (S-1220; F.R.L.S. #3053) which states that the Board "under present conditions would not favor such construction unless the need therefor is of

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an emergency, as distinguished from an urgent character", and recommended a modification of this statement so that it would permit the Reserve Banks to undertake urgent programs and not merely emergency ones.

At Chairman Martin's request, Mr. Leonard reviewed the building programs both at head offices and Federal Reserve Bank branches and there followed a discussion of work that might be authorized in the event a modification of Board policy along the lines proposed in Mr. Leonard's memorandum were approved. No conclusion as to the need for or desirability of such a change was reached, and it was understood that the matter would be taken up at a later meeting of the Board.

The meeting then recessed and reconvened at 2:30 p.m. with the same attendance as at the close of the morning session except that Mr. Allen was not present, and Messrs. Thurston, Assistant to the Board, Riefler, Assistant to the Chairman, and Sprecher, Assistant Director, Division of Personnel Administration were present.

Before this meeting there had been sent to each member of the Board a memorandum of topics to be discussed by the Board and the Presidents of the Federal Reserve Banks later this afternoon. The views of the Board as determined at this meeting with respect to each of the matters were as stated by Chairman Martin at the joint meeting and as set forth in the minutes of that meeting.

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Governor Powell said that he discussed with the Presidents in their separate session yesterday the promotion by the Federal Reserve Banks of the sale of new savings bonds and that Mr. Overby, Under Secretary of the Treasury, presented the problem as seen at the Treasury. He added that, while the Presidents had some questions with respect to the program, they agreed to take steps to acquaint the members of the Federal Reserve Banks' staffs who have contact with the public with the details of the savings bond program and to include in any speeches that they make in their respective districts comments with respect to the program and the need for savings on the part of the public and how the savings bond program fits into that need. He added that it would be well for the Board to keep in touch with the Federal Reserve Banks on this matter so that the promotion of the program by the System could effectively be carried out.

Governor Powell then stated that in accordance with the discussions at the meetings of the Board on October 15, 1951 and November 27, 1951, he had held further meetings with the committee of representatives of the bank supervisory agencies for the purpose of drafting an agreement on bank supervisory matters, that a draft of statement had been prepared which was almost in final form when it was rewritten by representatives of the Federal Deposit Insurance Corporation. He also said that since

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the proposal for the statement originated with the F.D.I.C., the suggestion was then made that the Corporation work out a statement with the State Bank Supervisors and submit it to the Comptroller of the Currency and the Board for consideration, whereupon the F.D.I.C. suggested further minor changes in the earlier draft on which the committee was now trying to reach an agreement. The proposal was also made, he said, that a standing committee be created which would meet at least twice a year to discuss matters of mutual interest, that the representatives of the State Bank Supervisors wanted to make the statement of the purposes for the standing committee more specific and to include discussions of policy, but that it was the feeling of the Federal bank supervisory agencies that the statement should be kept in general language since the standing committee would be an experiment and an attempt to write an agenda for its meetings in advance might lead to misunderstandings. He went on to say that yesterday he had a telephone call from Mr. Lyon, Chairman of the Executive Committee of State Bank Supervisors, in which the latter reported that two or three of the State Bank Supervisors wished to retain the more specific language in the statement and that he (Governor Powell) had tried to arrange a meeting of the representatives of the F.D.I.C. and the Comptroller of the Currency to discuss the matter but he had not been able to do so. His reason for bringing the matter to the attention of the Board

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at this time was that he would be at the Graduate School of Banking next week and would leave the Board on June 30 to take up his duties as President of the Federal Reserve Bank of Minneapolis and that it would be necessary for the Board to designate another member of the Board to represent the Board in further discussions.

Chairman Martin stated that the matter would be considered by the Board.

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 June 18, 1952, were approved unanimously.

Memorandum dated June 17, 1952, from Mr. Bethea, Director, Division of Administrative Services, recommending that the resignation of Mary A. Weikel, Telephone Operator in that Division, be accepted to be effective, in accordance with her request, at the close of business July 11, 1952.

Approved unanimously.

Memorandum dated June 16, 1952, from Mr. Sloan, Director, Division of Examinations, recommending that Harry J. Meyer, an examiner

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for the Federal Reserve Bank of New York, be appointed by the Board of Governors as an examiner for the purpose of participating in the forthcoming 1952 examination of The Chase Bank, New York, New York, an Edge Act corporation, which will be conducted by Mr. Goodman with the assistance of Mr. Guth of the Board's Division of Examinations.

Approved unanimously.

Letter for the signature of the Chairman to the Honorable Guy M. Gillette, United States Senate, Washington, D. C., reading as follows:

"This is to acknowledge your letter of May 26 enclosing a communication from Mr. John W. King, Attorney, of Adel, Iowa, with regard to the financial problem confronting Mr. and Mrs. Raymond Duckett, proprietors of the Adel Bakery.

"You will appreciate, I know, the difficulty of judging from the data furnished and at this distance just what the situation calls for, but it arouses our most sympathetic interest, as I know it does yours, in wishing to recommend something helpful. It appears from the efforts made to obtain aid from local or nearby banks that these institutions do not feel that it is a credit risk which they can undertake and their judgment would in all probability be based on consideration of all the available information. It does not necessarily follow that there is any undue stringency or unavailability of credit at local banks.

"It seems to me that Mr. King and his fellow attorney, Mr. Gordon Russell, are well advised in looking into the possibility of obtaining an RFC loan. You might wish to call their attention to the fact that Section 13b of the Federal Reserve Act authorizes Federal Reserve Banks to make working capital loans to established businesses in

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"exceptional circumstances when credit is otherwise unavailable on a reasonable basis from the usual sources. From the facts at hand I have no way of telling whether Mr. King's clients can qualify for a 13b loan but I would suggest that since Adel is in the Chicago Federal Reserve District they might inquire about the possibility of such a loan by communicating with the Federal Reserve Bank of Chicago, 230 South LaSalle Street, Chicago 90, Illinois.

"As you requested, I am returning Mr. King's letter and enclosure. I am also enclosing a copy of this letter to you in case you might care to forward it to Mr. King."

Approved unanimously.

Letter to Mr. Patterson, Vice President and General Counsel, Federal Reserve Bank of Atlanta, in regard to Chick Barron, Inc., Atlanta, Georgia, a registrant under Regulation W, Consumer Credit, reading as follows:

"Reference is made to your letter of April 15, 1952 recommending that the above matter be referred to the Department of Justice because of apparent violations of Regulation W.

"You point out that no customer contacts have been made and say that your Bank will make them if it is decided to refer the case to the Department of Justice. However, in view of the Board's telegram of May 8, 1952 customer contacts cannot now be made, and since the Department of Justice will not proceed with a case which is not supported by evidence other than the books or admissions of the registrant, the Board is closing its file on this case."

Approved unanimously.

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

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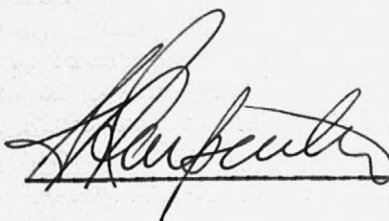
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"Reference is made to your letter of June 9, 1952 regarding the formal investigation of alleged violations of Regulation W by Stoddard-Wendle Motor Company, Spokane, Washington.

"You point out that the investigation was terminated on May 8 when only a portion of the witnesses had been examined, and you state that no further action will be taken by your Bank unless instructed to the contrary.

"In view of the information contained in your letter and in the memorandum of June 17, 1952 from Mr. O'Kane to Mr. Chase, the Board is closing its file."

Approved unanimously.



Secretary.