

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, June 20, 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 June 19, 1952, were approved unanimously.

Minutes of the meeting of the Board of Governors of the Federal Reserve System with the Presidents of the Federal Reserve Banks held on June 19, 1952, were approved unanimously.

Telegrams to the Federal Reserve Banks of New York, Philadelphia, Atlanta, St. Louis, and San Francisco stating that the Board approves the establishment without change by the Federal Reserve Bank of St. Louis on June 16, by the Federal Reserve Bank of San Francisco on June 17, and by the Federal Reserve Banks of New York, Philadelphia, and Atlanta on June 19, 1952, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

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

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"Reurlet June 17, 1952, Board approves appointment of Leicester T. Moreland as an Assistant Examiner for the Federal Reserve Bank of San Francisco.

"It is noted that steps are being taken to liquidate appointee's bank indebtedness."

Approved unanimously.

Letter to Mr. Young, President, Federal Reserve Bank of Chicago, reading as follows:

"Enclosed herewith is a copy of a letter dated June 9, 1952, from Mr. R. R. Brubacher, President of The Toy National Bank, Sioux City, Iowa, concerning the service of Mr. Robert P. Munger as a director of that bank. You will note that Mr. Brubacher requests that Mr. Munger, who is stated to be engaged in the securities business as R. P. Munger & Co., be permitted to continue to serve on the board of directors of the bank.

"On the basis of the facts presented, it appears rather clearly that such interlocking relationship is contrary to section 32 of the Banking Act of 1933, as amended, and the Board's Regulation R, and that Mr. Brubacher's request should be regarded as subject to the same views as those stated in the Board's letter to your Bank of December 7, 1948 concerning the service of Mr. L. A. O'Donnell as a director of the Gary Trust and Savings Bank, Gary, Indiana.

"In the circumstances, it would be appreciated if you would give the question such consideration as you may deem necessary and make appropriate reply to Mr. Brubacher. The Board, of course, will be glad to consider any further information which your examination of the matter may develop and which you feel should be submitted for consideration by the Board.

"Mr. Brubacher has not been advised of this reference."

Approved unanimously.

Letter to the Presidents of all Federal Reserve Banks, reading as follows:

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"There have been mailed to you today copies of a reprint of an article which appears in the June issue of the Federal Reserve Bulletin entitled 'Excess Profits Taxes of Commercial Banks'. The article and the Bulletin will be released for publication in morning papers on June 25.

"As you know, this article is based on data obtained by means of a confidential tax questionnaire, which was prepared with the cooperation of representatives of other Federal and State agencies and bankers' associations and sent out by the Federal Reserve Banks to a selected sample of insured commercial banks. The reprints are sent you with the suggestion that you send one to each of the respondent sample banks in your District; they may be mailed on June 24."

Approved unanimously, with the understanding that a letter in substantially the following form should be sent to members of the American Bankers Association Special Committee on Excess Profits Tax, to each supervisor of State banks, and to a select list of other individuals:

"Pursuant to a suggestion from Mr. Rowland Hughes, Chairman of the American Bankers Association Special Committee on Excess Profits Tax, there are sent you herewith six copies of a reprint of an article which appears in the June issue of the Federal Reserve Bulletin entitled 'Excess Profits Taxes of Commercial Banks'. This article, as indicated therein, is based on data obtained by means of a confidential tax questionnaire, which was prepared with the cooperation of representatives of other Federal and State agencies and bankers' associations and sent out by the Federal Reserve Banks to a selected sample of insured commercial banks.

"As indicated on the copies, the article will be released for publication in morning papers on June 25."

Letter to Mr. Clark, First Vice President, Federal Reserve Bank of Atlanta, in regard to Andy Ferrara Appliance Company, Fort Lauderdale, Florida, a registrant under Regulation W, Consumer Credit, reading as follows:

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"Subsequent to the referral of this matter to the Board, it was the subject of a number of conferences between counsel for the Bank and the Solicitor's Office of the Board and it was decided that although the registrant appeared to have violated the regulation on several occasions, there was not sufficient evidence to support a referral to the Department of Justice, particularly since there were no customer contacts.

"Accordingly, it appeared that the best plan would be to reinvestigate this registrant and to follow through on the basis of the new investigation. However, in view of the Board's telegram of May 8, 1952, no investigation can now be made.

"Therefore, the Board is closing its file."

Approved unanimously.

Letter to Mr. Olson, Vice President, Federal Reserve Bank of Chicago, in regard to Bird-Sykes Company, Chicago, Illinois, a registrant under Regulation W, Consumer Credit, reading as follows:

"Reference is made to your letter of March 27, 1952, regarding the above matter in which you stated that the case was being sent to the Board in view of W-179, and that if it had not been for that letter you would have deferred sending the case to the Board pending the result of a reinvestigation.

"The customers' statements and other data which were enclosed indicate that the registrant, or the salesman, made a practice of increasing the price of the car being sold above the price which the customer thought he had agreed to pay, but the transactions are so confused that on their face they do not clearly show violations of the regulation except possibly in one or two instances.

"Accordingly, this is a case in which the Board would have concurred in your recommendation that further action be deferred pending a reinvestigation, and since no further investigations are now being made in view of the Board's telegram of May 8, 1952, the Board is closing its file in

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"this case."

Approved unanimously.

Letter to The Honorable Edwin C. Johnson, United States Senate,
Washington, D. C., reading as follows:

"This refers to your letter to the Board, dated May 23, 1952, which was accompanied by a letter to you from Mr. John Bonforte, Bonforte Construction Company, Pueblo, Colorado, in which Mr. Bonforte recommends the suspension of Regulation X--Real Estate Credit.

"We believe that Mr. Bonforte will be interested in the enclosed copy of the press statement released jointly by the Board of Governors and the Housing and Home Finance Agency on June 9, 1952. The modifications of the terms of Regulation X announced in the press statement became effective June 11, 1952.

"Mr. Bonforte's comments indicate that he feels the suspension of Regulation W, Consumer Credit, and the proposed relaxation of materials controls for recreational buildings are inconsistent with retention of controls on real estate credit. The recent actions with respect to these two regulations were taken only after a careful review of developments in the general economy and in the markets directly affected by each regulation. Consumer instalment credit subject to Regulation W has shown little change and purchases of consumer durable goods have declined considerably from the peaks attained in the last half of 1950 and early 1951. In contrast, home building continues at a relatively high level and mortgage credit outstanding is still expanding. It seemed appropriate, therefore, that Regulation X be relaxed while Regulation W was suspended.

"The proposed relaxation of materials controls by the Defense Production Administration for recreational construction, according to public announcements made by that agency, will not occur until July 1, 1952. The certainty that these relaxations will occur on that date is considerably clouded, we have been informed, by the current stoppage in steel production, and it should be noted that the Board has not relaxed

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"credit restrictions on recreational or other types of nonresidential construction, at this time.

"We hope that this information satisfactorily answers the questions raised. If Mr. Bonforte desires any additional information concerning Regulation X or the new terms he may find it convenient to call upon the Denver branch of the Federal Reserve Bank of Kansas City.

"Mr. Bonforte's letters are being returned as you requested."

Approved unanimously.

Letter for the signature of the Chairman to the Presidents of all Federal Reserve Banks, reading as follows:

"This letter is intended to summarize the decisions growing out of the discussions of the System's responsibility in connection with the Treasury's revised Savings Bond Program at the Presidents' Conference, Wednesday, June 18, and at the joint meeting with the Board of Governors on the following day. Copy of a wire sent you today is attached.

"The consensus at both meetings was that the System should lend its aid on a continuing basis in an educational program in cooperation with Treasury representatives to acquaint bankers with the details and advantages of the new savings bond issues. The details of the program would be worked out by the individual Federal Reserve Banks.

"In general it was our understanding that the Presidents would follow up the joint statement signed by Federal and State supervisory authorities and the President of the American Bankers Association with a letter to all commercial banks in their Districts, calling attention to the statement and endorsing it. We further understand that Federal Reserve Bank personnel who come into contact with bankers or others will be thoroughly familiar with the details of the new savings bond issues. Such personnel, it is understood, might devote to the Savings Bond Program some portion of the time allotted to them in speeches before banker and other groups as well as in conversations with individual bankers.

"Some additional suggestions to the above were made. For example, one President suggested that an article on the new

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"savings bond issues might be prepared for the Federal Reserve Banks' Monthly Reviews. Some Banks have already undertaken the preparation of such material. The point was made in the discussions that the educational program should not take on the characteristics of a 'drive' but rather should be geared to a sustainable pace.

"The reasons why the Board and the Federal Reserve Banks are endeavoring to stimulate savings bond purchases are outlined in the joint statement. Federal Reserve Bank personnel may wish to use these as a guide in their speeches and conversations. All of us in the System are highly conscious of the important role which saving has played in the achievement of price stability in the past fifteen months and of the importance of continued saving at high levels in the months of rising defense expenditures ahead. Prospects for some deficit spending call for more saving, including increased purchases of savings bonds, if the inflationary effects of bank-financed deficits are to be avoided.

"For the use of your employees in becoming familiar with the savings bond program, we are sending you under separate cover a supply of the material attached to the letter to President Leach on June 9, 1952, a copy of which was sent to you."

Approved unanimously.



Secretary.