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

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

          Mr. Sherman, Assistant Secretary

Chairman Martin referred to an earlier informal discussion which he had had with members of the Board regarding a request of Mr. Steelman, Acting Director of the Office of Defense Mobilization, for the loan for a short temporary period of the services of Messrs. Kenneth B. Williams and Guy E. Noyes, Assistant Directors, Division of Research and Statistics, stating that Mr. Steelman had indicated that he would be very pleased if either Mr. Williams or Mr. Noyes, or possibly both, could assist on a temporary basis in his office. Chairman Martin stated that he had discussed this matter on the basis that the Board would continue to pay the salaries of Messrs. Williams and Noyes, that it was unlikely there would be a call for the services of both, and that to the extent their assistance might be requested by Mr. Steelman, they would simply serve in his office for performance of their duties rather than here at the Board.

Chairman Martin added if there was no objection he would have
Mr. Noyes call on Mr. Steelman next week for the purpose of discussing further the proposed work.

It was agreed unanimously that the services of Messrs. Williams and Noyes would be made available to Mr. Steelman on the basis outlined by Chairman Martin.

Before this meeting there had been circulated among the members of the Board a memorandum from Mr. Marget, Director, Division of International Finance, dated August 22, 1952, recommending that the Board indicate that it would be willing to grant a leave of absence without pay for one year to Arthur C. Bunce, Chief, Far Eastern Section, in the event a formal request was received from the Venezuelan Government for his services in developing a national program to increase agricultural production in that country.

Governor Szymczak stated that this request was discussed with him informally some weeks ago, that he then indicated he would not look with favor upon approving the request since Mr. Bunce was now working on financial matters relating particularly to the Far Eastern sector and was not engaged in the field of agriculture, that the matter had subsequently been discussed with him by Messrs. Marget and Bunce, and that at Mr. Bunce’s request it was being brought to the Board for consideration. Governor Szymczak added
that he was doing this without an affirmative recommendation; in fact, he did not look with favor upon the request inasmuch as Mr. Bunce's services were needed at the Board during the coming year and it would not be desirable to have his position vacant for a year without being able to fill it with some other appointment. He added that he would have no objection to saying to Mr. Bunce that, if he chose to resign to accept the position, the Board would, of course, consider an application for employment when and if he again sought a position with the Board.

Governors Evans and Robertson stated that they would not wish to approve the request of Mr. Bunce under the circumstances outlined in Mr. Marget's memorandum, Governor Evans adding that in his view a request of the type presented by the Venezuelan Government should be submitted to the Department of Agriculture which had numerous men qualified to assist in planning agricultural development programs.

It was agreed that Mr. Marget should be advised that the Board would not look with favor upon a request by Mr. Bunce for a leave of absence for the purpose indicated.

There were presented telegrams to the Federal Reserve Banks of Boston, New York, Cleveland, Richmond, Atlanta, Chicago,
Minneapolis, Kansas City, Dallas, and San Francisco stating that the Board approves the establishment without change by the Federal Reserve Bank of San Francisco on August 26, by the Federal Reserve Bank of Atlanta on August 27, by the Federal Reserve Banks of New York, Cleveland, Richmond, Chicago, Minneapolis, Kansas City, and Dallas on August 28, and by the Federal Reserve Bank of Boston on August 29, 1952, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

The following additional actions were taken by the Board:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on August 28, 1952, were approved unanimously.

Memorandum dated August 25, 1952, from Governor Szymczak, recommending that Virginia J. Ogilvie, Clerk-Stenographer in the Division of Research and Statistics, be transferred to the position of Stenographer in his office, with no change in her present basic salary of $3,335 per annum, effective August 31, 1952. The memorandum also stated that the Division of Research and Statistics was agreeable to this transfer.

Approved unanimously.

Memoranda recommending that the basic annual salaries of the following employees be increased in the amounts indicated,
effective August 31, 1952:

<table>
<thead>
<tr>
<th>Date of Memorandum</th>
<th>Name and Title</th>
<th>Salary Increase From</th>
<th>To</th>
</tr>
</thead>
<tbody>
<tr>
<td>8/12/52</td>
<td>Margaret J. Holster, Records Clerk</td>
<td>$3,415</td>
<td>$3,495</td>
</tr>
<tr>
<td></td>
<td>Jeanette E. Devlin, File Clerk</td>
<td>3,350</td>
<td>3,430</td>
</tr>
<tr>
<td></td>
<td>Frances B. Smith, File Clerk</td>
<td>3,190</td>
<td>3,270</td>
</tr>
<tr>
<td></td>
<td>Jean F. Stockwell, File Clerk</td>
<td>3,110</td>
<td>3,190</td>
</tr>
<tr>
<td>7/21/52</td>
<td>Lorman C. Trueblood, Economist</td>
<td>8,560</td>
<td>8,760</td>
</tr>
<tr>
<td></td>
<td>Caroline H. Cagle, Economist</td>
<td>6,340</td>
<td>6,540</td>
</tr>
<tr>
<td></td>
<td>Evelyn H. Hurley, Clerk</td>
<td>3,175</td>
<td>3,255</td>
</tr>
<tr>
<td>8/25/52</td>
<td>Mary R. Lynch, Clerk</td>
<td>3,255</td>
<td>3,335</td>
</tr>
<tr>
<td>8/20/52</td>
<td>Frank M. Tamagna, Chief, Financial Operations and Policy Section</td>
<td>10,800</td>
<td>11,050</td>
</tr>
<tr>
<td></td>
<td>Wendell E. Thorne, Assistant to the Director</td>
<td>9,800</td>
<td>10,000</td>
</tr>
<tr>
<td>8/25/52</td>
<td>Mabel E. Wike, Statistical Clerk</td>
<td>3,030</td>
<td>3,110</td>
</tr>
</tbody>
</table>
Memorandum from Mr. Allen, Director, Division of Personnel Administration

8/18/52

June E. Ayers,
Administrative Assistant
$6,110
$6,340

R. H. Van Devanter,
Administrative Assistant
5,940
6,140

Marjorie Kidd,
Clerk-Stenographer
3,110
3,190

Memoranda from Mr. Bethea, Director, Division of Administrative Services

8/19/52

Thomas N. Buckley,
Telegraph Operator
4,035
4,160

W. S. Pool,
Telegraph Operator
4,035
4,160

G. L. March,
Telegraph Operator
4,035
4,160

L. H. Gooley,
Telegraph Operator
3,785
3,910

H. H. Florea,
Guard
3,070
3,150

Constance Richardson,
Charwoman
2,700
2,770

Lura Jean Mull,
Teletypist
2,500
2,750

Mary M. Tolle,
Typist
2,500
2,750

Wanda H. Herbough,
Operator (Tabulating Equipment)
3,255
3,410

Memorandum from Mr. Boothe, Assistant Director, Division of Selective Credit Regulation

8/22/52

Dorothy Drayer,
Clerk-Typist
2,750
2,950

Approved unanimously.
8/29/52

Letter to Mr. Wiltse, Vice President, Federal Reserve Bank of New York, reading as follows:

"In accordance with the request contained in your letter of August 19, 1952, the Board approves the appointment of Edward F. Odell as an assistant examiner for the Federal Reserve Bank of New York."

Approved unanimously.

Letter to Mr. Hill, Vice President, Federal Reserve Bank of Philadelphia, reading as follows:

"In accordance with the request contained in your letter of August 21, 1952, the Board approves the appointment of J. Donald Murray and Walter J. Brobyn as special assistant examiners for the Federal Reserve Bank of Philadelphia."

Approved unanimously.

Letter to Mr. Denmark, Vice President, Federal Reserve Bank of Atlanta, reading as follows:

"In accordance with the request contained in your letter of August 13, 1952, the Board approves the designation of W. H. Thomas as a special assistant examiner for the Federal Reserve Bank of Atlanta for the specific purpose of rendering assistance in the examinations of State member banks only, rather than as a special assistant examiner for general purposes. "We have deleted the name of Marvin L. Miller from the list of special assistant examiners authorized to participate in examinations of State member banks."

Approved unanimously.

Letter to Mr. Powell, President, Federal Reserve Bank of Minneapolis, reading as follows:
"In accordance with the request contained in your letter of August 11, 1952, the Board approves the appointment of Walter S. Ferrian as an examiner for the Federal Reserve Bank of Minneapolis."

Approved unanimously.

Letter to Mr. Shepard, Federal Reserve Agent, Federal Reserve Bank of Minneapolis, reading as follows:

"In accordance with the request contained in Mr. Powell's letter of August 11, 1952, the Board approves, effective September 1, 1952, the payment of salary to Mr. Walter S. Ferrian at the rate of $6,600 per annum as Assistant Federal Reserve Agent."

Approved unanimously.

Letter to Mr. Pondrom, Vice President, Federal Reserve Bank of Dallas, reading as follows:

"In accordance with the request contained in your letter of August 22, 1952, the Board approves the designation of Morris Simpson Moore, as a special assistant examiner for the Federal Reserve Bank of Dallas."

Approved unanimously.

Letter to Mr. Clark, First Vice President, Federal Reserve Bank of Atlanta, reading as follows:

"Reference is made to your letter of May 9, 1952, requesting the Board of Governors' approval for an increase of approximately 7 per cent in the salary structure of the Federal Reserve Bank of Atlanta.

"The Board of Governors approves the following minimum and maximum salaries for the respective grades of the Federal Reserve Bank of Atlanta, including the Branches, effective June 1, 1952:
<table>
<thead>
<tr>
<th>Grade</th>
<th>Minimum</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1,620</td>
<td>2,160</td>
</tr>
<tr>
<td>2</td>
<td>1,800</td>
<td>2,220</td>
</tr>
<tr>
<td>3</td>
<td>1,980</td>
<td>2,640</td>
</tr>
<tr>
<td>4</td>
<td>2,220</td>
<td>2,940</td>
</tr>
<tr>
<td>5</td>
<td>2,460</td>
<td>3,300</td>
</tr>
<tr>
<td>6</td>
<td>2,760</td>
<td>3,700</td>
</tr>
<tr>
<td>7</td>
<td>3,060</td>
<td>4,100</td>
</tr>
<tr>
<td>8</td>
<td>3,320</td>
<td>4,200</td>
</tr>
<tr>
<td>9</td>
<td>3,800</td>
<td>5,100</td>
</tr>
<tr>
<td>10</td>
<td>4,200</td>
<td>5,600</td>
</tr>
<tr>
<td>11</td>
<td>4,500</td>
<td>6,200</td>
</tr>
<tr>
<td>12</td>
<td>5,100</td>
<td>6,800</td>
</tr>
<tr>
<td>13</td>
<td>5,700</td>
<td>7,500</td>
</tr>
<tr>
<td>14</td>
<td>6,300</td>
<td>8,200</td>
</tr>
<tr>
<td>15</td>
<td>6,900</td>
<td>9,300</td>
</tr>
</tbody>
</table>

"The Board approves the payment of salaries to the employees, other than officers, within the limits specified for the grades in which the positions of the respective employees are classified. It is assumed that all employees whose salaries are below the minima of their grades as a result of the structure increase will be brought within the proper range as soon as practicable and not later than 90 days after approval by the Wage and Salary Stabilization authorities.

"In granting its approval of this request by the Federal Reserve Bank of Atlanta, the Board notes that the Branches at Birmingham, Jacksonville, and Nashville occupy a much more favorable position in relation to their respective markets than do the main office and the New Orleans Branch. The Board, therefore, requests that the Atlanta Bank consider the advisability of creating a dual structure for these two groups at the time of its next salary survey.

"The Board's approval in this matter is subject to final clearance by the Wage and Salary Stabilization officials."

Approved unanimously."
Letter for the signature of the Chairman to Mr. Frank M. Browning, President, Ogden Buick Sales Company, Ogden, Utah, reading as follows:

"Your letter of August 9, 1952, in which you submitted your resignation as a director of the Salt Lake City Branch of the Federal Reserve Bank of San Francisco because of your association with a commercial bank recently chartered, has been brought to the attention of the Board of Governors, and in the circumstances the Board has reluctantly accepted your resignation, effective today.

"In taking this action the members of the Board requested me to convey to you their appreciation of the contribution you have made to the Federal Reserve System through your service as a branch director. The provision in the Board's regulations that directors of branches of Federal Reserve Banks appointed by the Board of Governors shall be persons not primarily engaged in banking and preferably not directors of banks represents an extension of the principle established in the Federal Reserve Act that some of the directors of a Federal Reserve Bank should not be associated with commercial banks. We feel sure that you will appreciate the reasons underlying this policy of diversified representation.

"The comments contained in your letter with respect to your association with the Federal Reserve System are most gratifying, and the Board trusts that you will continue to maintain an active interest in the System and its problems."

Approved unanimously.

Letter to the Board of Directors of Richmond County Bank, Rockingham, North Carolina, stating that, subject to conditions of membership numbered 1 and 2 contained in the Board's Regulation H,
and the following special condition, the Board approves the Bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Richmond:

At the time of admission to membership, such bank shall have a paid-up and unimpaired capital stock of not less than $100,000.

The letter also contained the following paragraph:

"The Board of Governors also approves the retention and operation of the present out-of-town branch of the bank located at Ellerbe, North Carolina."

Approved unanimously, for transmittal through the Federal Reserve Bank of Richmond.

Letter to the Board of Directors of The Peoples State Bank, Three Lakes, Wisconsin, stating that, subject to conditions of membership numbered 1 and 2 contained in the Board's Regulation H, the Board approves the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Minneapolis.

Approved unanimously, for transmittal through the Federal Reserve Bank of Minneapolis.

Letter to the Board of Directors, Chesterton State Bank, Chesterton, Indiana, reading as follows:

"Pursuant to your request submitted through the Federal Reserve Bank of Chicago, the Board of Governors approves the establishment and operation of a branch in Garyton, Indiana, by the Chesterton State Bank, provided formal approval of the Department of Financial Institutions of the State of Indiana is obtained, the common capital
"stock of your bank is increased to $100,000, and such branch is established within six months from the date of this letter."

Approved unanimously, for transmittal through the Federal Reserve Bank of Chicago.

Letter to Mr. L. G. Laurell, Vice President, First National Bank of Lawrence County, New Castle, Pennsylvania, reading as follows:

"This refers further to your letter of August 1, 1952, and its enclosure, which was referred to the Board by the Office of the Comptroller of the Currency under date of August 12, 1952, and also to your letter of August 20, 1952, to the Board, regarding the question whether a proposed agreement between your bank and the Pennsylvania Power Company, referred to in the agreement as 'Utility', conforms to the provisions of this Board's Regulation Q, particularly in view of section 7(b) of the proposed agreement.

"It is understood that the features of the agreement which are relevant to your question are substantially as follows:

"The bank would agree to purchase from Utility, without recourse, installment paper arising out of sales of electrical appliances by Utility and to pay for such paper 85 per cent of the total amount of deferred payments then outstanding, less finance charges included therein. The remaining 15 per cent of the total amount of deferred payments outstanding on the paper, less finance charges, would be credited to a so-called 'Liability Reserve' to be set up on the books of the bank. In this connection, your letter of August 20 states that the paper would be purchased at par and title to the paper would immediately pass to the bank, but that the consideration would not be wholly paid at that time, part being paid at that time and part being withheld as a reserve for losses.

"It is further understood that at the time of any purchase by the bank of the paper in question, the bank would deduct from the total finance charges payable with respect to
"the paper a certain percentage of such finance charges and this amount would also be credited to the Liability Reserve. Each month, there would be credited by the bank to this Reserve, out of income received from the paper, the sum of 3-1/4 cents for each payment accepted by Utility during such month and, in addition, under section 7(b), an amount equal to 3 per cent per annum on the average balance remaining in the Liability Reserve during such month. The bank would be authorized to charge to such Reserve any losses and expenses incurred by the bank in connection with such paper. The agreement further provides that, 15 days after the end of each calendar month, the bank 'shall pay' Utility the balance, if any, remaining in the Liability Reserve as of the end of such calendar month after deducting all amounts charged to such Reserve or paid therefrom to the Utility and retaining in the Reserve 15 per cent of the total amount of deferred payments on all paper remaining outstanding at the end of such month.

"In these circumstances, the so-called 'Liability Reserve' represents amounts placed to the credit of Utility on the books of the bank in part payment for the paper purchased by the bank from Utility. These amounts are liabilities of the bank and the 3 per cent per annum payments which are credited monthly to the Reserve, even though derived from income on the paper, appear to constitute payments of interest thereon. It is the view of the Board, therefore, that the Liability Reserve would constitute a deposit within the meaning of the law and the Board's Regulation Q. Since this deposit would not conform to the definition of a 'time deposit' set forth in Regulation Q, it would constitute a demand deposit within the meaning of that Regulation and, consequently, under the law and the Regulation, the payment of any interest on such deposit would be prohibited. If the agreement should be modified to bring the deposit into conformity with the definition of a time deposit, interest could be paid thereon but only at a rate not in excess of the maximum rates prescribed in the Supplement to Regulation Q.

"It should also be observed that the Liability Reserve would constitute a demand deposit against which it would be
necessary for the bank to carry reserves under the law and the Board's Regulation D. In this connection, it is noted that under section 5 of the proposed agreement provision is made for the setting up of a 'retailer's reserve' at the time of any purchase by the bank of installment paper from any retailer of electrical appliances and that, while no question involving Regulation Q would be involved in such cases, any such reserve would constitute a deposit against which the member bank would likewise be required to maintain reserves with its Federal Reserve Bank.

"If you should have any further questions with regard to this matter, it is suggested that you communicate with the Federal Reserve Bank of Cleveland."

Approved unanimously.

[Signature]
Assistant Secretary.