Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, September 22, 1952. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Evans
Mr. Vardaman
Mr. Robertson
Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Kenyon, Assistant Secretary
Mr. Vest, General Counsel
Mr. Allen, Director, Division of Personnel Administration

At the meeting of the Board on September 16, 1952, preliminary consideration was given to a question raised by Mr. Powell, President of the Federal Reserve Bank of Minneapolis, concerning the eligibility of an insurance company officer to serve as a Class B director of a Federal Reserve Bank, and Governor Vardaman was requested to explore the matter with a view to further discussion by the Board. Subsequently, there were sent to the members of the Board copies of a memorandum from Mr. Vest, dated September 18, 1952, commenting on the legal aspects and a memorandum from the Division of Personnel Administration, also dated September 18, reviewing the position taken by the Board in the past on similar questions.

Governor Vardaman stated that the two memoranda appeared to cover the background of the matter thoroughly, that it was apparent
that there was no legal obstacle to the service of an insurance
compamy officer as a Class B director, and that the Board would
have to make a decision based on policy considerations. He
thought that the question merited careful study by the Board and
suggested that there might be grounds for making some distinction
between persons affiliated with life insurance companies and
officers of fire and casualty insurance companies, since the nature
of the work and the business contacts involved are somewhat different.

Mr. Allen said that the insurance business was of such im-
portance that it raised a question whether some place should not
be provided for representatives of that business on the boards of
the Federal Reserve Banks. He pointed out that it was unlikely that
insurance company officers would be elected by the member banks as
Class A directors and suggested that, if the Board should decide as
a matter of policy against their eligibility as Class B directors,
the Board should keep the possibility in mind of appointing such men
as Class C directors.

Following a statement by Governor Evans that he had written
Mr. Powell after the meeting on September 16 to the effect that the
Board probably would not make a decision until such time as all of
the members were present, it was understood that the matter would be
given further consideration after Governors Szymczak and Mills had
returned to their offices and had had an opportunity to review
the memoranda prepared by the staff.

In response to an inquiry by Governor Vardaman, Mr. Allen
stated that the terms of seven Reserve Bank chairmen and three
deputy chairmen would expire at the end of 1952, but that Mr.
Caldwell, Chairman of the Federal Reserve Bank of Kansas City,
would be the only one of these persons ineligible for reappoint-
ment. Governor Vardaman then suggested that prior to consideration
by the Board of the appointments of Reserve Bank directors, Mr.
Allen supplement the memorandum which he had already sent to the
members of the Board on this subject with a memorandum showing
for each Federal Reserve Bank the geographical distribution of
the residences of the directors and the extent of diversification
of business interests which the directors represented.

After a brief discussion it was understood that such in-
formation would be prepared and that the appointment of Class C
and branch directors would be considered by the Board at the
first meeting in October when all of the members of the Board
were present.

At this point Mr. Vest withdrew from the meeting.
Reference was made to memoranda from Mr. Allen dated September 3 and 12, 1952, regarding the submission by the Federal Reserve Banks of proposed salary increases for certain officers in response to the suggestion in the Board's letter of June 2, 1952. That letter stated that since it would take considerable time to establish a salary plan for Reserve Bank officers, it appeared desirable to attempt to adjust promptly any internal salary relationships that were out of line, and requested that the Banks submit any cases which they felt required immediate action with the understanding that those adjustments approved by the Board would be presented to salary stabilization officials for approval.

During a discussion of the extent to which the Board was committed to submit proposed increases to the salary stabilization authorities, Mr. Allen said that, although the Board's letter of June 2, 1952 made it clear that it retained the right to exercise judgment in any individual case, there was a strong implication that it would give careful consideration to proposals submitted by the Reserve Bank directors and that those which it approved would be presented to the salary stabilization officials promptly.

At Chairman Martin's suggestion it was understood that this matter would be taken up at the first meeting in October when all of the members of the Board were present.
At this point Mr. Allen withdrew from the meeting.

Reference was made to a suggestion by Governor Vardaman at the meeting on September 3, 1952, that the Board consider whether it would be desirable for some other member of the Federal Open Market Committee to be stationed in New York during the period from the first of October until early November when Mr. Sproul, President of the Federal Reserve Bank of New York and Vice Chairman of the Federal Open Market Committee, was planning to be in Europe.

Following a discussion, it was agreed that as an alternative to Governor Vardaman's suggestion, Chairman Martin should request Messrs. Riefler and Thomas, Assistant to the Chairman and Economic Adviser to the Board, respectively, to keep in close touch by telephone with Mr. Rouse, Manager of the System Open Market Account, during Mr. Sproul's absence with a view to reporting promptly any major problems arising in the management of the account.

Chairman Martin then referred to a suggestion by Governor Vardaman at the meeting on September 9, 1952, that the Board should pay the cost involved in attendance by members of the staff at official
luncheons in the Board's private dining rooms on the theory that the staff members attend such luncheons in line with their official duties, that they perform a service in explaining Board policies and procedures to the guests, and that they often gain information which is helpful in the performance of their duties.

There was a discussion of this suggestion but no conclusion was reached.

Governor Evans referred to the service rendered by consultants to the Board on real estate credit matters during the time Regulation X, Real Estate Credit, was in effect and suggested that they be invited to have lunch with the Board the next time they were in Washington.

Governor Evans' suggestion was 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 September 19, 1952, were approved unanimously.

Letter to the Presidents of all Federal Reserve Banks, reading as follows:
A number of Federal Reserve building projects appear to be in prospect for the coming years. As buildings for Reserve Banks and Branches should meet specialized needs, it would seem that it would be quite helpful to Banks planning new buildings or major alterations to have the benefit of the experience of the System acquired in the operation of buildings of various types over many years. Such information should also be helpful to the Board and its Consulting Architect in considering building programs as submitted.

"Accordingly, it will be appreciated if, out of the benefit of your experience and that of your staff, you will send us:

1. Suggestions as to arrangement, size, materials, types of equipment, etc., which have proved especially helpful and which suggestions would be useful to others in planning building programs.

2. Suggestions as to corresponding features to be avoided or as to significant changes which the Reserve Bank would make in the light of experience if it were planning to build.

Perhaps the best way of indicating the type of suggestions desired is simply to say the type of suggestions you think would be helpful to others in planning new buildings or which you would like to have if your Bank were planning a new building.

"After the replies are received, we shall consolidate the information and send it out to the Reserve Banks. For convenience in assembling the data and in its later use, we suggest that your comments and suggestions be grouped under the headings in the attached list."

Approved unanimously.

Letter to the Board of Directors, The Chemical State Savings Bank, Midland, Michigan, 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 on Jefferson Street
"in the vicinity of Ashman Circle within the city of Midland, Michigan, by The Chemical State Savings Bank, provided such branch is established within six months from the date of this letter."

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

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

"Recourtel July 18, 1952, requesting monthly surveys of conditions in the real estate industry. We would appreciate receiving such reports for September and October to assist us in appraising effects of suspension of Regulation X. Reactions of home buyers, builders, and lenders to the new credit conditions, and the extent to which actual credit terms are liberalized would be desirable information. We would also like to know about any changes in builders' plans for current and future construction, both residential and nonresidential, especially new and expanded projects going forward on easier terms, and developments formerly deferred by regulation but now reactivated. The effect of the suspension, if any, on old house markets also would be of interest. Reports may be discontinued after that for October."

Approved unanimously.