

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, October 30, 1952. The Board met in the Board Room at 10:00 a.m.

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

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Kenyon, Assistant Secretary
Mr. Thurston, Assistant to the Board
Mr. Riefler, Assistant to the Chairman
Mr. Thomas, Economic Adviser to the Board
Mr. Young, Director, Division of Research and Statistics
Mr. Marget, Director, Division of International Finance
Mr. Solomon, Assistant General Counsel
Mr. Hersey, Chief, Special Studies Section, Division of International Finance
Mr. Tamagna, Chief, Financial Operations and Policy Section, Division of International Finance

Mr. Marget presented a report on recent and prospective international gold and dollar movements.

Following a discussion based on this presentation, Messrs. Marget, Hersey, and Tamagna withdrew and Mr. Schmidt, Chief, Business Finance and Capital Markets Section, Division of Research and Statistics, entered the room.

Before this meeting there had been sent to each member of the Board a copy of a memorandum from Mr. Young dated October 24, 1952, to

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which was attached (1) a copy of a letter dated September 11, 1952, addressed to Mr. Young by Mr. Victor P. Dalmas, Executive Director of the Select Committee on Small Business of the House of Representatives, setting forth seven questions relating to recent trends in commercial bank lending to small business, and (2) draft replies to the questions prepared by the Division of Research and Statistics.

Following a discussion of the proposed replies, they were approved unanimously subject to minor revisions to take into account suggestions made at this meeting and any further suggestions which might be made by members of the Board.

Question was raised in this connection as to whether the replies should be transmitted over the signature of the Chairman. During a discussion of this point, the view was expressed by members of the Board that no staff studies should be transmitted to Congressional committees without the approval of the Board, that the transmittal letter should be signed by the Chairman, and that it should indicate in each instance that the study had been made by the staff at the direction of the Board.

Secretary's note: In accordance with the above, the replies to the questions submitted by Mr. Dalmas were sent to him under date of November 4, 1952, with a letter signed by Chairman Martin reading as follows:

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"I am transmitting herewith a staff study, prepared at the Board's direction and in response to the questions raised in your letter of September 11, dealing with various aspects of the financing problems of small business. The Board sincerely trusts that this study will be helpful to the members of the House Select Committee on Small Business.

"In this connection, I should also like to call your attention to a staff report to the Board on the subject of The Cost and Availability of Credit and Capital to Small Business, prepared in response to a request of the Senate Select Committee on Small Business. This report, shortly to be available in published form, contains additional information on some of the subjects treated in the enclosed study."

At this point Mr. Schmidt withdrew from the meeting.

Before this meeting there had been sent to the members of the Board copies of a memorandum dated October 22, 1952, from the Division of Bank Operations relating to a request by the Federal Reserve Bank of Chicago for authorization to obtain firm bids for the addition of four floors to the head office building and for certain alterations to the building, the estimated cost of the addition and alterations being \$4,200,858, including architect's and engineers' fees. There was attached to the memorandum a draft of letter to Mr. Young, President of the Reserve Bank, reading as follows:

"Reference is made to your letter of September 16, 1952, and the detailed plans and specifications for the proposed addition and alterations to your head office building.

"The Board will interpose no objection to your Bank's securing firm bids for the construction of four

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"additional stories and for the alterations outlined, with the understanding that the bids will be submitted to the Board for consideration before a contract for the work is awarded.

"It is noted that you plan to explore further the question of additional vault facilities and will submit a definite recommendation later."

The letter was approved unani-
mously.

Reference was then made to a draft of letter to Mr. Lewis, Vice President of the Federal Reserve Bank of St. Louis, reading as follows:

"Receipt is acknowledged of your letter of October 10 enclosing a copy of a letter from the Regional Enforcement Director of the Office of Price Stabilization, Kansas City, Missouri, asking for certain information which he believed may have been obtained by your Bank in the course of the Regulation W investigation of Howard Stubblefield, d.b.a. Missouri Builders and Western and S & W Distributing Company.

"You state in your letter that your Bank would, of course, be happy to be of assistance in any action in connection with this request that the Board considers appropriate. The Board believes that it would be appropriate for your Bank to cooperate with the Regional Enforcement Director by making available to him any information which your Bank now has which would be of assistance to him in the performance of his official duties. For example, it may be that his staff can obtain leads by looking at material in your files or by discussing the case with personnel in your Bank.

"It would be undesirable to have his office disclose the source of any leads or information obtained from your Bank. Moreover, it seems most unlikely that any information in your files or any oral testimony which could be furnished by personnel in your Bank could be used as evidence. However, it would seem that cooperation in the

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"manner outlined above not only would be desirable but also in all probability would serve his purposes fully."

The letter had been circulated among the members of the Board and had been placed on the docket for consideration at this meeting at the request of Governor Vardaman, who stated that his question concerned the propriety of a Federal Reserve Bank dealing directly with a regional office of a Government agency in a case of this kind, as opposed to a procedure whereby any information of this character would be requested by the Washington office of the agency and would be supplied through the Board.

During a discussion of this point, Mr. Solomon, in response to a question by Chairman Martin, referred to Section 8(a) of the Board's Rules of Organization, relating to the disclosure of "unpublished information of the Board". He said that the Reserve Banks appeared to be fully aware of the requirements of this section prescribing the release of such information only with the consent of the Board, that the Federal Reserve Bank of St. Louis had followed the prescribed procedure in this instance, and that he felt that it would be proper to permit the Reserve Bank to allow the regional office of the Office of Price Stabilization to use the information to the extent described in the draft of reply to Mr. Lewis.

Thereupon, the letter to Mr. Lewis was approved unanimously in the form submitted.

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Governor Evans referred to the action of the Board on September 12, 1952, approving a proposal by the Federal Reserve Bank of Dallas to take an option to purchase certain property adjacent to the head office building. He stated that this property had now been purchased by the Bank, that there was an adjoining piece of property that the Reserve Bank also desired to purchase, and that the matter of this additional purchase would be brought to the attention of the Board within the near future.

Governor Vardaman stated that if he should be absent at the time the matter came before the Board, he would like the record to show that if the directors of the Dallas Bank thought that the purchase should be made and if the Board member having responsibility for primary consideration of such matters agreed, he would favor authorizing the Bank to make the purchase. He also said that he considered the failure of the Federal Reserve Banks in the past to acquire real estate for possible future expansion to have been a mistake and that in his opinion the general policy of the Board should be favorable to such purchases.

Reference was made to Mr. Thurston's memorandum of October 13, 1952, concerning a digest of the economic and monetary situation which might be sent periodically to the directors of the Federal Reserve Banks, to the discussion of this matter at the meeting on October 20, and to

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the understanding at that time that the matter would be considered further by the Board after the sample copy of the digest which was attached to Mr. Thurston's memorandum had been circulated to all of the members of the Board.

Mr. Thurston stated that, if agreeable to the Board, he would prefer to postpone discussion of this matter until he had had an opportunity to complete the revision of the statement of duties and responsibilities which is sent to newly-appointed Reserve Bank head office directors and until he had considered further the various possibilities for establishing closer relations between the Board and the directors.

Governor Mills referred to the Retail Credit Survey published annually by the Board on the basis of information collected by the Federal Reserve Banks. He said that the Division of Research and Statistics had not been thoroughly satisfied as to the accuracy or coverage of the surveys, that the Reserve Banks shared these misgivings, and that there was now a possibility that the information could be collected by the Bureau of the Census through an expansion of that Bureau's survey of retail business which was instituted last year, the Bureau having indicated that it would be willing to expand the scope of its existing questionnaire to procure the data desired by the Board, provided the Board would reimburse it to the extent of approximately \$10,000

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a year. Governor Mills added that the Division of Research and Statistics believed that the accuracy of the consumer credit statistics would be improved by this change in procedure and that, if the Board approved the proposal, the Bureau of the Census would make plans for augmenting its forthcoming survey in the manner outlined, provided it was advised of the Board's decision by the first of November.

He then called upon Mr. Young, who discussed the survey of some 28,000 business enterprises instituted last year by the Bureau of the Census to supplement the information obtained in its Censuses of Business, which are conducted only at intervals of three years or longer and which have served heretofore as a benchmark for the Board's consumer credit statistics. Mr. Young pointed out that the proposed procedure would eliminate one Government report going to the same business firms to a considerable extent and that there would be a substantial saving to the System as a whole, taking into account the expenses of the Reserve Banks in making the annual Retail Credit Surveys. He estimated the total cost of these surveys to the System at perhaps \$35,000, including expense to the Board of about \$4,000.

Mr. Young explained that the urgency of the matter grew out of the fact that if the change in procedure was to be made, negotiations with the Bureau of the Census would have to be undertaken at once in

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order to enable the Bureau to schedule the work by the first of November.

In response to questions by Governor Szymczak, Mr. Young said that the Division of Research and Statistics had received telegrams from all of the Federal Reserve Banks indicating their approval of the proposal and that under the contemplated procedure, the agreement with the Bureau of the Census would be renewed annually. He also said that if the Board approved the arrangement, provision would be made in the annual budgets of the Division of Research and Statistics for future years for the cost involved.

Following further discussion, the proposal outlined by Governor Mills and Mr. Young was approved unanimously, with the understanding that no provision had been made in the 1952 budget of the Division of Research and Statistics or in preparing the 1953 budget of that Division for the payments to the Bureau of the Census.

At this point all of the members of the staff except Messrs. Carpenter, Sherman, and Kenyon withdrew from the meeting and the following additional actions were taken by the Board:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on October 29, 1952, were approved unanimously.

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Letter to the Board of Directors, Fidelity-Philadelphia Trust Company, Philadelphia, Pennsylvania, reading as follows:

"Pursuant to your request submitted through the Federal Reserve Bank of Philadelphia, the Board of Governors approves the establishment and operation of a branch of your bank at Washington Lane and Ogontz Avenue in Philadelphia, Pennsylvania, upon condition that final formal approval is first obtained from the appropriate State authorities and the branch is established within twelve months after the date of this letter."

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

Letter to Mr. Stetzelberger, Vice President, Federal Reserve Bank of Cleveland, reading as follows:

"Referring to your letter and recommendation of October 20, 1952, the Board of Governors extends until November 6, 1953, the time within which The Cleveland Trust Company, Cleveland, Ohio, may establish a branch near the corner of West 210th Street and Center Ridge Road, in either Rocky River or Fairview Park, Ohio, as approved by the Board under date of November 6, 1951."

Approved unanimously.

Letter to the Board of Directors, Wachovia Bank and Trust Company, Winston-Salem, North Carolina, reading as follows:

"Pursuant to your request submitted through the Federal Reserve Bank of Richmond, the Board of Governors approves the establishment and operation of a branch at the intersection of Patterson and Glenn Avenues, Winston-Salem, North Carolina, provided such branch is established within six months from the date of this letter."

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"In accordance with your further request the Board of Governors approves the establishment of a branch in the Perkins and Newman Warehouse located on Twenty-fifth Street, and a branch in Cook's Warehouse located on Patterson Avenue Extension, both within the city limits of Winston-Salem, both branches to be operated during the current tobacco marketing season covering the approximate period September through December, inclusive. The Board also approves re-establishment of such branches during each succeeding tobacco marketing season covering the same period, subject to cancellation of such approval by the Board upon reasonable notice to the bank prior to the beginning of such period in any year."

Approved unanimously, for transmittal through the Federal Reserve Bank of Richmond, with a letter to the Reserve Bank stating that the Board's approval was given subject to the formal approval of each branch by appropriate State authorities.

Letter to The American National Bank of Kalamazoo, Kalamazoo, Michigan, reading as follows:

"The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers, and grants you authority to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State of Michigan, the exercise of all such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

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"This letter will be your authority to exercise the fiduciary powers granted by the Board pending the preparation of a formal certificate covering such authorization, which will be forwarded to you in due course."

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

Letter to Mr. Robert M. Repp, Jr., Vice President, Mellon
National Bank and Trust Company, Pittsburgh, Pennsylvania, reading
as follows:

"This refers to your letter of October 3, 1952, requesting advice as to whether the Board of Governors of the Federal Reserve System has any objection to the destruction, after five years, of minutes of the trust committee of the board of directors, minutes of the trust investment committee and trust administrative committee, and minutes of the senior committee of the trust department, provided copies of such minutes are preserved on microfilm.

"Although different language is used in subsections 6(b) and (c) of Regulation F which provide, respectively, that board or committee action shall be recorded in the minutes and that the committee shall keep minutes of all its meetings, no difference was intended in the requirement that a satisfactory record of considerations and actions pertaining to trust activities be provided; the word 'keep' being employed as synonymous with 'prepare' or 'record' rather than 'retain'. It was expected, of course, that the bank would preserve minutes of board or committee actions for an indefinite period, but no requirement as to the form in which such minutes should be retained was intended. Therefore, if your bank, upon advice of counsel, has reached the conclusion that minutes preserved through the microfilm process are sufficient to protect the bank and will be accepted as satisfactory secondary evidence by the courts, the Board sees no objection to your bank following the procedure outlined

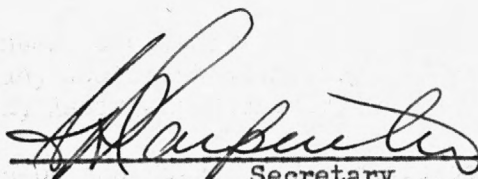
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"in your letter."

RESOLVED: Mr. Approved unanimously, with a copy to Mr. Gidney, President, Federal Reserve Bank of Cleveland.

Mr. Farquhar
Mr. Mills
Mr. Asherson

Mr. Carothers
Mr. Giddens
Mr. Kinney


Secretary

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Federal Reserve System to October 30, 1952. The Board of Governors of the Federal Reserve System has approved the following resolutions:

1. To authorize the Federal Reserve Bank of Cleveland to issue telegrams to the Federal Reserve Bank of St. Louis, and Kansas City providing for the payment of telegrams without charge by the Federal Reserve Bank of Cleveland on October 27, and 28, 1952, and Kansas City on October 29, 1952, in accordance with their existing agreements.

Approved: _____

