

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, November 28, 1952. The Board met in the Board Room at 10:00 a.m.

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

Mr. Carpenter, Secretary  
Mr. Leonard, Director, Division of  
Bank Operations  
Mr. Vest, General Counsel  
Mr. Hackley, Assistant General Counsel

Reference was made to the various publications issued by the Board and following a brief discussion, it was understood that Mr. Thurston would review the existing publications and submit a recommendation to the Board as to what, if any, action should be taken with respect to changes in the publication policy of the Board or in the publications now being given out.

Governor Vardaman suggested that the Board consider the advisability of issuing a statement on the question of price stability as well as a statement which would make it clear that it is not the desire of the present Board of Governors to centralize the function of bank examination in the Board. This suggestion was discussed but no action was taken.

At the meeting of the Board on November 26 there was an informal discussion of a verbal request received by the Board from the National Security Resources Board for certain information for consideration in the event of a general emergency.

11/28/52

-2-

The material prepared in response to this request was approved unanimously at this meeting for transmission to the National Security Resources Board, with an appropriate letter signed by Chairman Martin.

At this point Messrs. Kenyon, Assistant Secretary, Thurston, Assistant to the Board, Riefler, Assistant to the Chairman, and Young, Director, Division of Research and Statistics, entered the room and Messrs. Leonard and Hackley withdrew.

Before this meeting there had been sent to the members of the Board copies of a draft of statement prepared in response to a memorandum dated November 20, 1952, from the President of the United States to certain members of the Cabinet and the heads of certain Government agencies requesting that there be submitted to him by December 1, 1952, matters for consideration in connection with the preparation of his January 1953 Economic Report.

The statement was discussed and several suggestions were made for revisions in the draft. Question was raised whether the letter transmitting the statement should call attention to the review of economic developments in the Federal Reserve Bulletin for November and it was agreed that this should not be done.

Following the discussion, it was agreed that the staff, in consultation with Governor Mills, should revise the draft in accordance with the suggestions made at this meeting and that the statement

11/28/52

-3-

should thereafter be transmitted to the President with a letter for the signature of the Chairman reading as follows:

"In response to your memorandum of November 20 with regard to the President's Economic Report, I enclose an original and ten copies of a brief analysis of the monetary and credit situation for your consideration."

The statement enclosed with the letter was as follows:

"CREDIT AND MONETARY POLICY"

During 1952 the economy maintained relative equilibrium at a high level of activity in the face of powerful cross currents. Credit and monetary policies were directed at limiting bank credit expansion to an amount consistent with the needs of a growing economy without inflation.

In the second half of the year, it was necessary for the Government to borrow about 6.5 billion dollars to finance defense expenditures. Credit policies pursued during the year contributed to the Government's success in borrowing funds from nonbank sources, i.e., savings institutions, business corporations, and individuals. Expansion of total bank credit over the year was generally moderate and commodity prices were relatively stable.

In addition to the substantial volume of Federal borrowing during the year, consumer instalment credit expanded rapidly after the first quarter and mortgage credit outstanding continued to grow. State and local governments borrowed large amounts, while total business borrowing appears to have been comparable with that of last year.

Throughout the year, and especially in recent months, credit availability has been moderately tight with some resultant increase in interest rates. In financing such bank credit expansion as has taken place, the banks have found it necessary to resort to increased borrowing from

11/28/52

-4-

"the Federal Reserve System. This has exerted a steady pressure on banks to liquidate such borrowing and consequently has encouraged the observance of stricter credit standards and limited credit expansion.

Objectives of Federal Reserve policies as the year 1953 opens will be to limit credit expansion to amounts consistent with the reasonable requirements of a stable and growing economy. Accomplishment of these objectives will require that recourse to money creation through bank credit expansion be limited to growth needs of the economy and that any Federal deficit, as well as prospective credit demands of other public and private borrowers be financed mainly by borrowing the savings of the public.

In the period ahead, it will be necessary for credit and monetary policies to be responsive to any change in the basic forces underlying current high levels of economic activity. For some time, credit and monetary policies have been operating in the context of high demand for capital goods and borrowings. They may have to operate under different conditions in the future. The Federal Reserve System is keeping alert to the emergence of forces which may require a redirection of present policies."

During the discussion of the above statement, Chairman Martin suggested that, in order that the Board might be prepared in the event its opinion should be asked, steps be taken to formulate the views of the Board on the long range program which it would propose to promote economic stability.

The Board then went into executive session at the conclusion of which the Chairman informed the Secretary that during the executive session unanimous approval was given to a letter from him to the Honorable Jack Gorrie, Chairman of the National Security Resources Board, reading as follows:

11/28/52

-5-

"The Board of Governors has designated me, as Chairman of the Board, to serve on the consultative group referred to in your letter of November 18, 1952.

"It is understood that this designation may be changed should subsequent developments make that desirable."

The following additional actions were taken by the Board:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on November 26, 1952, were approved unanimously.

Telegrams to the Federal Reserve Banks of Boston, Cleveland, Richmond, Chicago, St. Louis, Minneapolis, Kansas City, Dallas, and San Francisco stating that the Board approves the establishment without change by the Federal Reserve Banks of Boston, Chicago, and St. Louis on November 24, by the Federal Reserve Bank of San Francisco on November 25, by the Federal Reserve Banks of Cleveland, Richmond, and Minneapolis on November 26, and by the Federal Reserve Banks of Minneapolis, Kansas City, and Dallas on November 28, 1952, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Letter to the United States Civil Service Commission, Washington, D. C. (Attention: Mr. Wilson Matthews, examiner for the hearing examiners), prepared in accordance with action taken by the Board on November 17, 1952, and reading as follows:

"The Board of Governors of the Federal Reserve System is preparing to hold a hearing pursuant to section 30 of

11/28/52

-6-

"the Banking Act of 1933 (U.S.C. Title 12, sec. 77) on the question whether certain officers and directors of a national bank should be removed from office because of continued violation of law or of unsafe or unsound practices.

"The Board does not have any hearing examiners in its employ, and therefore it has requested the Federal Trade Commission to loan the services of one of its hearing examiners, Mr. James A. Purcell. We have now been advised by the Federal Trade Commission that Mr. Purcell's services will be made available to the Board for the purpose above indicated on a reimbursable loan basis, beginning January 15, 1953. A copy of the Board's letter and a copy of the Federal Trade Commission's reply are enclosed for your information. We now request the approval of the Civil Service Commission of this arrangement under the provisions of section 11 of the Administrative Procedure Act.

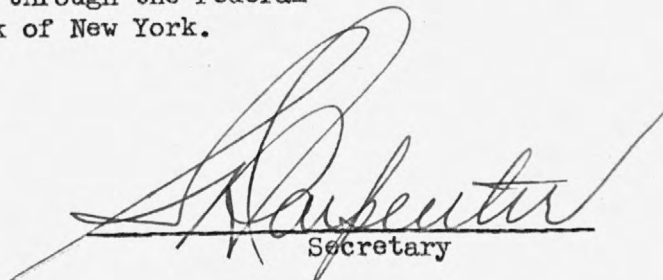
"We will greatly appreciate your consideration of this matter at your early convenience."

Approved unanimously.

Letter to the Board of Directors, Garden City Bank and Trust Company, Garden City, New York, reading as follows:

"The Board of Governors approves the establishment and operation of a branch at 100 Seventh Street, Garden City, New York, by the Garden City Bank and Trust Company, provided such branch is established within six months from date of this letter. It is understood that the State Banking Board has approved the establishment of this office for the limited purpose of conducting operations of the bank's mortgage department."

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

  
Secretary