

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, January 15, 1953. 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. 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. Allen, Director, Division of Personnel Administration

Mr. Dembitz, Assistant Director, Division of International Finance

Mr. Solomon, Economist, Division of International Finance

Mr. Solomon commented on economic and financial developments in France and other Western European countries, based on his observations during his recent assignment on loan to the Paris office of the Mutual Security Agency, pursuant to an arrangement approved by the Board on August 5, 1952. Mr. Solomon's remarks were followed by a brief discussion, at the conclusion of which Messrs. Riefler, Thomas,

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Young, Marget, Dembitz, and Solomon withdrew from the meeting.

There was presented a draft of letter for the signature of the Chairman to Mr. Robert T. Stevens, prepared in reply to Mr. Stevens' letter of January 8, 1953, submitting his resignation as Chairman and Federal Reserve Agent at the Federal Reserve Bank of New York and as a Class C director of that Bank, effective January 19, 1953. The draft of reply read as follows:

"The Board of Governors has of course acquiesced in your letter of January 8 tendering your resignation as Class C Director and Chairman and Federal Reserve Agent of the Federal Reserve Bank of New York in view of your appointment as Secretary of the Army.

"Reluctant as we are to come to this official severance from the Federal Reserve System we are all particularly gratified that you have been summoned to this vitally important post. You bring to it the exceptional abilities and qualifications which have made your service to the Reserve System so valuable. Your four and a half years as Chairman and your previous service as a Class B Director from 1934 to 1942 have been fruitful for the System and it is good to know that you feel they have been rewarding from your standpoint also. You will, we are confident, have a continuing interest in the System and in the many bonds of friendship you have formed, not only in the New York Bank but throughout this institution. We hope you will always call upon us for any service we may be able to provide. Since you will be in Washington we shall look forward to seeing you here at the Board whenever time and opportunity will permit."

Approved unanimously.

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Governor Mills presented additional information which he had obtained, pursuant to the understanding at the meeting of the Board on January 9, 1953, regarding Mr. Richard Henzel, farmer, of Klamath Falls, Oregon, who had been suggested for appointment to the board of directors of the Portland Branch of the Federal Reserve Bank of San Francisco.

Governor Mills also discussed the possible appointment of Mr. William H. Steiwer, Sr., of Fossil, Oregon, stating that Mr. Steiwer was engaged in sheep ranching, that he had served several terms in the State Senate, including one term as president of that body, that he formerly operated a small private bank in his home town, and that he was fair-minded and capable. Governor Mills said that his only reservations concerning Mr. Steiwer, assuming that he was not now holding a "political or public office", were that he was from the same section of the branch territory as the person he would succeed on the branch board, Mr. Robert B. Taylor, and that he was actively affiliated with the National Association of Woolgrowers, having served as president of that organization at one time. He felt, however, that Mr. Steiwer was not the type of man who would let his association with the woolgrowers' organization

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influence his point of view in carrying out his responsibilities as a director of the Portland Branch.

Governor Evans stated that he did not know Mr. Steiwer, that although the woolgrowers' association was an extremely vocal group, he would not consider Mr. Steiwer's activity with that organization as a bar to his service as a branch director, and that, on the basis of his qualifications, as described by Governor Mills, Mr. Steiwer would seem preferable to Mr. Henzel in view of the latter's reportedly strong opposition to the farmers' cooperative movement and his activity as a trader in farm properties, which might under certain conditions impair his financial responsibility.

Thereupon, it was voted unanimously to appoint Mr. Steiwer as a director of the Portland Branch for the unexpired portion of the two-year term beginning January 1, 1953, provided that Mr. Wilbur, Chairman of the Federal Reserve Bank of San Francisco, first ascertained and advised the Board that Mr. Steiwer would accept the appointment if tendered.

The Secretary stated that Tuesday, January 20, 1953, Inauguration Day, being a legal holiday, the Board's offices would be closed on that date and all employees would be excused from duty except those needed to operate the telegraph office and handle the inter-district settlement fund clearings.

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Governor Evans stated that, according to preliminary data obtained by the Bureau of Labor Statistics, the number of housing starts during December 1952 was at a seasonally adjusted annual rate in excess of 1,200,000 units, and that, if such a rate should be sustained for three consecutive months, it would be possible, under the provisions of the 1952 Amendments to the Defense Production Act, to terminate the "period of real estate credit control relaxation" which was announced effective September 16, 1952, and to reinstitute Regulation X, Real Estate Credit.

Chairman Martin said that in accordance with the understanding at the meeting of the Board yesterday, he talked by telephone with the Presidents of the Federal Reserve Banks of Boston, New York, Richmond, Atlanta, Chicago, Minneapolis, Kansas City, Dallas, and San Francisco, informing them that the Federal Reserve Banks of Philadelphia, Cleveland, and St. Louis had acted to increase their discount rate to 2 per cent, that the Board had not approved the increase and there was no commitment on its part to do so, but that there was a real possibility that such approval would be given today when the matter was considered by the Board. He also said that a telegram had now been received from the Federal Reserve Bank of Atlanta

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advising that the directors of that Bank had acted to increase the discount rate to 2 per cent, that Mr. Sproul, President of the Federal Reserve Bank of New York, told him in a telephone conversation that the directors of that Bank would meet early this afternoon to consider taking similar action, and that it was anticipated that the directors of the San Francisco Bank would act to increase that Bank's rate tomorrow.

Chairman Martin suggested that the Board meet again this afternoon, following receipt of advice of the action taken by the directors of the New York Bank, with the understanding that, if the New York Bank acted to increase its discount rate to 2 per cent, the Board would approve, effective tomorrow, such an increase at all of the Reserve Banks that had acted by that time and so advised the Board.

The other members of the Board indicated agreement with the suggested procedure.

Governor Vardaman stated that, in the absence of objection by the Board, he planned tentatively to attend the oral arguments in Philadelphia before the United States Court of Appeals for the Third Circuit in the matter of Transamerica Corporation. Governor Evans said that he also contemplated attending the oral arguments.

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It was understood that there would be no objection to any member of the Board attending if he so desired.

The meeting then recessed and reconvened in the Board Room at 3:25 p.m., with the same attendance as at the conclusion of the morning session except that Governor Robertson and Mr. Allen were not present, while Messrs. Thurston, Assistant to the Board, and Riefler, Assistant to the Chairman, were present.

Chairman Martin stated that President Sproul had just called him on the telephone to advise that the directors of the Federal Reserve Bank of New York, at their meeting earlier this afternoon, voted, subject to review and determination by the Board of Governors, to increase from 1-3/4 to 2 per cent the rate at that Bank on discounts for and advances to member banks under sections 13 and 13a of the Federal Reserve Act and to make other rate changes believed desirable to maintain an appropriate alignment of the rate structure.

Thereupon, unanimous approval was given to telegrams reading as follows, with the understanding that an announcement that the Board had approved the action of the eight Banks in increasing their discount rates from 1 3/4 per cent to 2 per cent, effective January 16, 1953, would be given to the press at 4:30 p.m. EST, for immediate release:

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To Mr. Sproul, President, Federal Reserve Bank of New York

"Reurtel today, Board approves effective January 16, 1953, rates established by your directors of 2 per cent on discounts and advances to member banks under Sections 13 and 13a; 2-1/2 per cent on advances under Section 10(b); 3 per cent on advances to individuals, partnerships, or corporations other than member banks under last paragraph of Section 13; and the following rates on loans and commitments under Section 13b:

On loans direct to industrial or commercial businesses including loans made in participation with financing institutions, 3 to 5-1/2 per cent;

On commitments to financing institutions to discount or purchase loans, 10 to 25 per cent of loan rate with minimum of 1/2 per cent provided that no commitment shall be given on a loan on which borrower is charged more than 5-1/2 per cent.

"Otherwise, Board approves establishment, without change, of rates of discount and purchase in Bank's existing schedule."

To Mr. McCreedy, Vice President and Secretary, Federal Reserve Bank of Philadelphia

"Reurtel January 8, Board approves effective January 16, 1953, rates of 2 per cent on discounts and advances to member banks under Sections 13 and 13a; 2-1/2 per cent on advances under Section 10(b); 2 per cent on discounts for Federal Intermediate Credit Banks; and 2-3/4 per cent on advances to individuals, partnerships, or corporations other than member banks under last paragraph of Section 13. Otherwise, Board approves establishment, without change, of rates of discount and purchase in Bank's existing schedule."

To Mr. Gidney, President, Federal Reserve Bank of Cleveland

"Reurtel January 8, Board approves effective January 16, 1953, rates of 2 per cent on discounts and advances to member banks under Sections 13 and 13a; 2 per cent on discounts for Federal Intermediate Credit Banks; and 2-1/2 per cent on advances under Section 10(b). Otherwise, Board approves

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"establishment, without change, of rates of discount and purchase in Bank's existing schedule."

To Mr. Bryan, President, Federal Reserve Bank of Atlanta

"Reurtel January 14, Board approves effective January 16, 1953, rates of 2 per cent on discounts and advances to member banks under Sections 13 and 13a; 2-1/2 per cent on advances under Section 10(b); 3 per cent on advances to individuals, partnerships, or corporations other than member banks under last paragraph of Section 13; and following rates on loans and commitments under Section 13b:

On loans direct to industrial or commercial businesses, including loans made in participation with financing institutions, 2-3/4 to 5 per cent;

On commitments to make industrial loans, discounts or purchases--

(a) To industrial or commercial businesses, 10 to 25 per cent of loan rate with minimum of 3/4 per cent;

(b) To financing institutions (provided that no commitment shall be given on a loan on which borrower is charged more than 5 per cent)--

(1) Undisbursed portion of loan, 1/2 per cent;

(2) Disbursed portion of loan, 10 to 25 per cent of loan rate with minimum of 3/4 per cent.

"Otherwise, Board approves establishment, without change, of rates of discount and purchase in Bank's existing schedule."

To Mr. Dawes, Vice President and Secretary, Federal Reserve Bank of Chicago, and Mr. McConnell, Vice President and Secretary, Federal Reserve Bank of Minneapolis

"Reurtel January 15, Board approves effective January 16, 1953, rates of 2 per cent on discounts and advances to member banks under Sections 13 and 13a and 2-1/2 per cent on advances under Section 10(b). Otherwise, Board approves establishment, without change, of rates of discount and purchase in Bank's existing schedule."

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To Mr. Weigel, Vice President and Secretary, Federal Reserve
Bank of St. Louis

"Reurtel January 12, Board approves effective January 16, 1953, rates of 2 per cent on discounts and advances to member banks under Sections 13 and 13a; 2-1/2 per cent on advances under Section 10(b); and 2 to 2-1/2 per cent on discounts for and purchases from financing institutions under Section 13b for which financing institution is obligated. Otherwise, Board approves establishment, without change, of rates of discount and purchase in Bank's existing schedule."

To Mr. Hall, Chairman and Federal Reserve Agent, Federal Reserve
Bank of Kansas City

"Reurtel today, Board has approved effective January 16, 1953, rates of 2 per cent on discounts and advances to member banks under Sections 13 and 13a; 2-1/2 per cent on advances under Section 10(b); 2-3/4 per cent on advances to individuals, partnerships, or corporations other than member banks under last paragraph of Section 13; and 2-3/4 to 5 per cent on loans under Section 13b direct to industrial or commercial businesses including loans made in participation with financing institutions. Otherwise, Board approves establishment, without change, of rates of discount and purchase in Bank's existing schedule."

Governor Vardaman stated that in the past there had been representations by commercial bankers that adjustments should be made so as to afford a greater effective yield to financing institutions on V-loans, that after meetings with representatives of the bankers and the guaranteeing agencies, it was not felt that a case had been made, that recently there had been additional representations, that he told Mr. Boothe, Administrator of the Office of Defense Loans, to

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advise the bankers that another meeting with the guaranteeing agencies would be arranged if they wished, and that, in view of the increase in the discount rate, it might be decided to have such a meeting with the guaranteeing agencies next week. Governor Vardaman expressed the view, however, that no change would be warranted unless and until the bankers and the procurement agencies could demonstrate that the V-loan program was suffering because of the current level of rates.

The meeting then adjourned. During the day the following additional actions were taken by the Board, with all of the members present:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on January 14, 1953, were approved unanimously.

Telegram to Mr. Bryant Essick, President, Essick Manufacturing Company, Los Angeles, California, prepared pursuant to action taken by the Board on January 13, 1953, and reading as follows:

"Board of Governors of the Federal Reserve System has appointed you director of the Los Angeles Branch of Federal Reserve Bank of San Francisco for unexpired portion of two-year term ending December 31, 1954, and will be pleased to have your acceptance by collect telegram.

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"It is understood that you are not a director of a bank and do not hold public or political office. Should your situation in these respects change during the tenure of your appointment, it will be appreciated if you will advise the Chairman of the Board of Directors of the Federal Reserve Bank of San Francisco."

Approved unanimously.

Telegram to Mr. George W. Watkins, President, Snake River Equipment Company, Idaho Falls, Idaho, prepared pursuant to action taken by the Board on January 13, 1953, and reading as follows:

"Board of Governors of the Federal Reserve System has appointed you director of the Salt Lake City Branch of the Federal Reserve Bank of San Francisco for unexpired portion of two-year term ending December 31, 1954, and will be pleased to have your acceptance by collect telegram.

"It is understood that you are not a director of a bank and do not hold public or political office. Should your situation in these respects change during the tenure of your appointment, it will be appreciated if you will advise the Chairman of the Board of Directors of the Federal Reserve Bank of San Francisco."

Approved unanimously.

Telegram to Mr. Joseph Rosenblatt, President, The Eimco Corporation, Salt Lake City, Utah, prepared pursuant to action taken by the Board on January 13, 1953, and reading as follows:

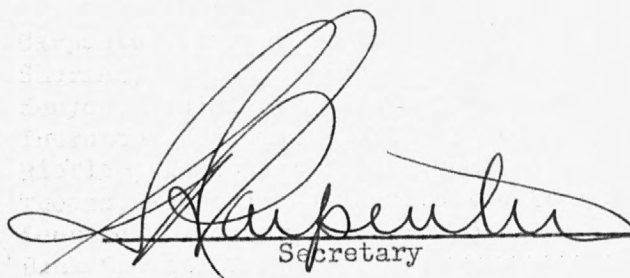
"Board of Governors of the Federal Reserve System has appointed you director of the Salt Lake City Branch of the Federal Reserve Bank of San Francisco for unexpired portion of two-year term ending December 31, 1953, and will be pleased to have your acceptance by collect telegram.

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"It is understood that you are not a director of a bank and do not hold public or political office. Should your situation in these respects change during the tenure of your appointment, it will be appreciated if you will advise the Chairman of the Board of Directors of the Federal Reserve Bank of San Francisco."

Approved unanimously.



Secretary