

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, March 12, 1953. The Board met in the Board Room at 10:00 a.m.

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

Mr. Carpenter, Secretary
 Mr. Sherman, Assistant Secretary
 Mr. Thurston, Assistant to the Board
 Mr. Sloan, Director, Division of Examinations
 Mr. Noyes, Assistant Director, Division of Research and Statistics

The following requests for travel authorization were presented:

<u>Name and Title</u>	<u>Duration of Travel</u>
Gregory O'Keefe, Jr., Attorney, Legal Division	March 14-16, 1953
James C. Smith, Federal Reserve Examiner, Division of Examinations	March 13-16, 1953

To travel to Philadelphia for the purpose of assisting counsel for the Board in the oral argument in Transamerica Corporation v. Board of Governors of the Federal Reserve System before the United States Court of Appeals for the Third Circuit.

Approved unanimously.

Chairman Martin referred to a letter from Mr. Bill McDonald, Acting Director of Sales Operations in the United States Savings Bond Division of the Treasury Department dated March 9, 1953, outlining an opening meeting to be held in Washington on March 29 - April 1 in the bond-a-month campaign

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to be entitled "Women's Crusade for Freedom". The letter stated that there would be a dinner meeting on Tuesday, March 31 at which volunteer Savings Bond leaders in the District of Columbia would be present, and that there also would be present some leading volunteers representing the various national women's organizations cooperating in the campaign. While volunteers in the District of Columbia were prepared to bear the expenses of all local volunteers as well as Government officials attending the meeting, the letter requested that the Board of Governors consider underwriting the expense of the dinner for the national volunteers who would attend the luncheon, which would amount to approximately \$330.

Chairman Martin said that yesterday he discussed this general question with Mr. Burgess, Special Deputy to the Secretary of the Treasury, at which time it was agreed that the Chairman and Mr. Burgess would meet with Secretary of the Treasury Humphrey as soon as convenient for the purpose of trying to develop a more satisfactory approach to the problem of savings bond luncheon and dinner expenses. He felt that it would be desirable to indicate to Mr. McDonald that the Board would pay the cost of the dinner referred to on March 9 to the extent indicated in Mr. McDonald's letter.

Governor Vardaman stated that he agreed with this suggestion but that he felt it would be desirable to include in the Board's annual report a statement setting forth the expenditures made by the Board during the calendar year 1953 for such purposes.

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Thereupon, Chairman Martin's suggestion was approved unanimously with the understanding that a statement along the lines suggested by Governor Vardaman would be included in the 1953 annual report.

Governor Robertson stated that a group of bankers and businessmen from South Dakota were meeting in Washington on March 26, 1953 and that they had requested that 2 representatives from each Federal bank supervisory agency, together with their wives, attend a dinner to be given that evening. It was understood that Governors Mills and Robertson would represent the Board at the dinner meeting.

Before this meeting there had been sent to each member of the Board a draft of letter which would transmit to the presidents of all Federal Reserve Banks a memorandum relating to the risk exposure in substandard instalment financing. Governor Robertson stated that he felt it would be desirable to have the memorandum distributed to the Reserve Bank examiners as a means of helping to call to the attention of the examiners the need for great care in the examination of instalment loan policies of member banks, if contracts were being written on terms so liberal that they exhibited potentially unsound characteristics.

Governor Vardaman suggested that, for reasons which he stated, there be deleted from the memorandum specific reference to maximum standard terms recommended for automobile financing by responsible institutions and trade associations, such as the terms specified as standard by large finance

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companies or which had been endorsed as safe maxima by the American Bankers Association and the American Finance Conference.

Following discussion it was agreed that the memorandum should be revised along the lines suggested by Governor Vardaman and resubmitted to the Board for further consideration.

Before this meeting there had been sent to each member of the Board a memorandum dated March 9, 1953 with respect to a possible change in the Board's regulations regarding branches of the Federal Reserve Banks, which among other things provide that "the directors appointed by the Board of Governors shall be persons who are actively engaged in commerce, agriculture, some other industrial pursuit, or the practice of a profession, who are not primarily engaged in banking and preferably are not directors of banks, although they may be stockholders." The memorandum stated that it had been the practice of the Board to select as its appointees individuals who were not directors of banks, and that the only use made of the flexibility in the provision expressing a preference that Board appointed directors not be directors of banks had been to permit a branch director who accepts membership on a commercial bank board to serve until the end of his current term or until the end of the current calendar year. It also stated that if it was considered desirable that branch directors who accept membership on commercial bank boards not be permitted to continue to serve on Reserve

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Bank boards, this could be accomplished by changing this part of the Board's regulations to read: "... The directors appointed by the Board of Governors shall be persons who are actively engaged in commerce, agriculture, some other industrial pursuit, or the practice of a profession, and who are not officers, directors, or employees of any bank, although they may be stockholders."

Governor Mills stated that he felt it was desirable to retain the present flexibility in the branch regulations and that it would be undesirable to have regulations so restrictive that a Reserve Branch director who accepted appointment to a commercial bank board of directors could not be permitted to serve out his current term.

Governor Robertson felt that there was no need for a change in the present regulations adding, however, that he felt it desirable as a general policy that Board appointees to the Reserve Bank branch directorates not be directors of commercial banks.

It was agreed unanimously that no change should be made in the regulation at this time.

Chairman Martin referred to the discussion at the meeting on August 26, 1952 of a proposed letter to be sent from time to time to directors of the Federal Reserve Banks and branches submitting a digest of information on the economic situation prepared for various groups meeting with the Board. He said that a draft of such a letter had been prepared by Mr. Thurston with the thought that it might be sent to the directors to ascertain whether

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they would like to receive such a digest whenever it could be made. He stated that this would be on an experimental basis, and that in his opinion there was no harm in offering it to the directors.

It was agreed unanimously that a letter along the lines suggested would be sent to the directors of all Federal Reserve Banks and branches on an experimental basis.

Governor Vardaman referred to informal discussions regarding the work which Mr. Arthur C. Bunce, Chief of the Far Eastern Section of the Division of International Finance, had done in Venezuela while on annual leave recently from his work at the Board.

Chairman Martin stated that Governor Szymczak had been handling this matter and it should be taken up when he could be present.

Governor Vardaman said that he would be absent on official business until March 31 and that if the matter were disposed of during his absence he would concur in whatever action was taken by the Board.

Chairman Martin stated that Governor Evans had called his attention to the annual reports issued by some of the Federal Reserve Banks and had raised the question whether reports in the form issued by some of the banks were justified. There followed a brief discussion of the matter during which it was suggested by the Chairman that the matter be taken up when the Board was considering the budgets of the Federal Reserve Banks.

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

Minutes of actions taken by the Board of Governors of the Federal Reserve System on March 11, 1953, were approved unanimously.

Letter to Mr. Hodgkinson, Chairman, Federal Reserve Bank of Boston, reading as follows:

"The Board of Governors approves the appointments of Messrs. Carl P. Dennett, Paul A. Draper, Edward M. Graham, J. Colby Lewis, and Earl P. Stevenson as members of the Industrial Advisory Committee for the First Federal Reserve District to serve for terms of one year each, beginning March 1, 1953, in accordance with the action taken by the Executive Committee of the Board of Directors as reported in your letter of March 3, 1953."

Approved unanimously.

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

"In accordance with the request contained in your letter of March 4, 1953, the Board approves the designation of George Hancox and E. F. Peck as special assistant examiners for the Federal Reserve Bank of Cleveland.

"The Board also approves the following as special assistant examiners for the Federal Reserve Bank of Cleveland for the specific purpose of rendering assistance in the examination of The Cleveland Trust Company, Cleveland, Ohio:

George C. Beier	P. G. Muehleisen
E. W. Gruebel	R. H. Pollock
L. G. Hafford	W. A. Thorn

"Appropriate notation has been made in our records of the name to be deleted from the list of special assistant examiners."

Approved unanimously.

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Memorandum dated March 2, 1953, from Mr. Carpenter, Secretary of the Board, reading as follows:

"Attached is a copy of the staff draft of a history of the regulation of Real Estate Credit under the Defense Production Act. This draft has been prepared pursuant to a request contained in a letter from the Director of the Bureau of the Budget dated March 17, 1952. Memoranda on four other activities (General Credit Policy, Consumer Credit, the Voluntary Credit Restraint Program, and the V-Loan program) are in the course of preparation and will be submitted to the Board when staff drafts have been completed.

"The attached memorandum covering the Real Estate Credit Regulation is submitted to the Board separately with the thought that, if approved, it could be transmitted to the Director of the Bureau of the Budget."

Approved unanimously.

Memorandum dated March 9, 1953, from Mr. Carpenter, Secretary of the Board, reading as follows:

"The budgetary procedure of the Board contemplates that the head of the division concerned would submit a recommendation to the Board for authorization of expenditures that exceed 10 per cent of the budget for any individual account classification.

"During 1952 there were 16 instances where such excess expenditures occurred, seven of which were authorized by the Board during the year. Of the nine that have not been submitted for authorization, five were for nominal amounts of less than \$100 each and for that reason are not believed of sufficient importance to justify a detailed explanation here. The remaining four excess expenditures, which are listed below with a short explanation of the reason for the excess, are being covered in this combined memorandum in lieu of the submitting of separate recommendations from the heads of the divisions concerned.

Telephone and Telegraph

"The Division of Personnel Administration exceeded its budget for Telephone and Telegraph by \$208.67 (20 per

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"cent), as a result of necessary toll service for liaison calls between the Federal Reserve Banks and the Washington Wage and Salary Board being greater than anticipated at the time of preparing budget estimates.

Printing and Binding

"The Secretary's Office had an excess of \$301.35 (12 per cent) for Printing and Binding, due to the necessity for expending more money during the year to secure Congressional documents of interest to the Board, the Reserve Banks, and the Federal Advisory Council, than was estimated; and to an unexpectedly large volume of mimeographing and printing in connection with 'S' and 'Z' letters, the Board's annual budget, etc.

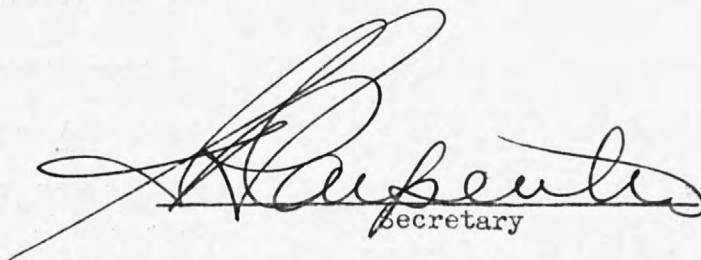
Stationery and Supplies

"The Offices of the Members of the Board expended \$564.40 (43 per cent) in excess of budget estimates for Stationery and Supplies, mainly because of unanticipated heavy withdrawals on the Board's stock room for stationery and supplies used by an increased staff and two new Board members.

The Division of Examinations was \$334.94 (19 per cent) in excess of its 1952 budget for Stationery and Supplies, principally for supplies used by the Inter-Agency Bank Examination School and for additional material used by the field force in the examination of the 12 Federal Reserve Banks and their branches.

"In view of the nominal amounts involved in five instances and the satisfactory reasons furnished for the remaining four, it is recommended that the Board approve excess expenditures for 1952 that were not authorized during that year."

Approved unanimously.


Secretary