

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, March 23, 1953. The Board met in the Board Room at 10:00 a.m.

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

Mr. Carpenter, Secretary  
Mr. Kenyon, Assistant Secretary  
Mr. Thurston, Assistant to the Board  
Mr. Vest, General Counsel  
Mr. Cherry, Legislative Counsel

There was presented a request that Philip T. Allen, Economist in the Division of Research and Statistics, be authorized to travel to Jacksonville, Florida, during the period March 31 - April 4, 1953, to attend a meeting of the System Agricultural Committee.

Approved unanimously.

There was also presented a memorandum dated March 18, 1953, from Mr. Sloan, Director, Division of Examinations, recommending that Glenn M. Goodman, Assistant Director of that Division, be authorized to accept an invitation to participate in the Bank Executives Forum of the Florida Bankers Association, to be held at Daytona Beach, Florida, on May 14, 1953, and that he be reimbursed for necessary transportation expenses and granted per diem in lieu of subsistence in accordance with the Board's travel regulations.

Approved unanimously.

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Mr. Cherry made a report on current legislative developments of interest to the Board, during which he discussed the progress of hearings before the Senate Banking and Currency Committee concerning two bills introduced by Senator Capehart, of Indiana, one of which, S. 753, would provide for standby economic controls and the other of which, S. 1081, would authorize the President to invoke a 90-day "freeze" on prices, wages, and rents in the event of a state of war or other national emergency. He said it was the intention of the Committee to hear testimony by Chairman Martin and Secretary of the Treasury Humphrey next Monday, March 30, and to close the hearings by the middle of that week.

During a discussion of the matter, Chairman Martin suggested that Mr. Vest review the Board's letter of February 24, 1953, to Mr. Kendall, General Counsel of the Office of Defense Mobilization, stating its views on standby controls over consumer and real estate credit, and draft a brief statement of points covered therein which he (Chairman Martin) might file with the Committee.

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

Mr. Cherry stated that no bills on the subjects covered by S. 753 and S. 1081 which would give rise to hearings had been introduced in the House of Representatives, that as of last Friday the Clerk of the House

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Banking and Currency Committee knew of no plans to take up the control bills, and that it appeared the House Committee would take no action until the Senate Committee acted.

In this connection, Chairman Martin discussed a letter which he sent under date of last Friday, March 20, to Arthur Flemming, Acting Defense Mobilizer, in which, at Mr. Flemming's request, he outlined the statements that he made at the meeting of the Defense Mobilization Board the previous day regarding the need for regulation of consumer and real estate credit.

Chairman Martin then pointed out that the Board had not reached a conclusion on what position it should take on the "freeze" bill, and there was a general discussion of that point during which it was brought out that in the event such a bill were enacted, the President, if he found it necessary to invoke the 90-day "freeze", probably could exercise his broad authority under the Trading with the Enemy Act of 1917 to prescribe regulation of consumer and real estate credit.

Mr. Vest inquired what, if anything, the Board would like to have included in the statement to be prepared for Chairman Martin's use with reference to the "freeze" bill. He suggested saying that consumer and real estate credit might be regulated, if necessary, under the Trading with the Enemy Act, but that if the Congress so desired, provision for

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the regulation of such credit could be included in the "freeze" bill.

It was understood that language along the lines suggested should be included by Mr. Vest in his draft.

Mr. Cherry said that the Senate Committee on Labor and Public Welfare and the House Committee on Education and Labor were holding hearings on possible amendments to the Taft-Hartley Act, which hearings might continue through April since a number of bills were pending before both committees and the hearings covered the subject in general rather than any particular bill. He recalled that in 1946 a proceeding alleging unfair labor practices was instituted against the Federal Reserve Bank of Dallas and the matter was discussed with the National Labor Relations Board but that while the matter was pending the Taft-Hartley Act was passed, which contained a provision exempting the Federal Reserve Banks from the definition of "employer". In 1949, he said, a bill was reported out by the Senate Labor and Public Welfare Committee which would have repealed that exemption but the bill was not passed. Mr. Cherry commented that he would watch to see whether anything developed at the current hearings relative to the Taft-Hartley Act that might affect the exemption of the Reserve Banks and that, if it appeared any such move were in prospect, he would advise the Board.

Mr. Cherry also referred to a letter dated March 17, 1953, from

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Representative Hoffman, of Michigan, Chairman of the Committee on Government Operations, requesting certain information with regard to the Board's publications. A previous letter from the Committee, dated March 4, 1953, relating to the effectiveness of executive agency compliance organizations, had been filed without reply inasmuch as the problem was not one with which the Board was concerned.

There was a discussion whether any reply to the current letter was necessary or appropriate following which Chairman Martin suggested that Mr. Cherry explore the matter further and report back to the Board.

At this point all of the members of the staff withdrew and the Board went into executive session.

Following the executive session Governor Szymczak informed the Secretary that the Board had reviewed the information which had come to its attention with respect to the trip by Mr. Bunce, Chief of the Far Eastern Section of the Division of International Finance, to Venezuela to assist in the formulation of a program for increasing agricultural production, including the information contained in a memorandum from Mr. Bunce dated March 9, 1953. Governor Szymczak stated that he had informed the Board that Mr. Marget, Director of the Division of International Finance, had stated to him that, regardless of any action that the Board might take, he had completely lost confidence in Mr. Bunce because of the manner in which he had acted in this matter, and that he would feel

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under obligation to advise Mr. Bunce of that fact and that in all the circumstances he might wish to look for another connection.

In the light of these circumstances, it was the unanimous opinion of the members of the Board that since Mr. Bunce had undertaken the assignment entirely voluntarily and not at the request or suggestion of the Board, there was no basis upon which the Board should act to restore his annual leave and that since, as noted in his memorandum of March 9, he had returned the check for the amount of the fee which he was to receive, no action was called for by the Board on that aspect of the matter.

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

Minutes of actions taken by the Board of Governors of the Federal Reserve System on March 20, 1953, were approved unanimously.

Letter to Mr. Diercks, Vice President, Federal Reserve Bank of Chicago, reading as follows:

"In accordance with the request contained in your letter of March 17, 1953, the Board approves the appointment of Lloyd Ralph Mueller as an assistant examiner for the Federal Reserve Bank of Chicago.

"Please advise us of the date upon which the appointment becomes effective."

Approved unanimously.

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Letter to Mr. Meyer, Vice President, Federal Reserve Bank of Chicago, reading as follows:

"In accordance with the request contained in your letter of March 18, 1953, the Board of Governors approves the payment of salaries to the employees listed in your letter, effective March 30, 1953, at the rate of \$2,662.40 per annum, which exceeds by \$22.40 the maximum established for the grade in which their positions are classified."

Approved unanimously.

Letter to Mr. Peterson, Vice President, Federal Reserve Bank of St. Louis, reading as follows:

"In accordance with the request contained in your letter of March 13, 1953, the Board approves the appointment of Edward John Burda as an assistant examiner for the Federal Reserve Bank of St. Louis.

"It is noted that Mr. Burda is obligated on an F.H.A. mortgage on his home in the amount of \$3,500, which mortgage is held by The Plaza Bank of St. Louis, but it is understood that arrangements will be made to place this indebtedness elsewhere, other than a member bank. Please advise us of the arrangements when this has been done."

Approved unanimously.

Letter for the signature of the Chairman to Mr. Sproul, President, Federal Reserve Bank of New York, reading as follows:

"As you know, in accordance with the suggestion in your letter of February 27, Tom Waage brought down the sound track for the proposed motion picture. Members of the senior staff and some of the Board members, including myself, heard it and also Tom's very excellent presentation via flannel board.

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"We all think he is to be commended for his good work in these fields. I know neither you nor he would want me to mislead you about the sound track, which Tom said, frankly, he thought needed a good deal of work done on it if it is to create a correct impression. I hope you will continue working on it and I would suggest meanwhile that the filming project be deferred. Even if the sound track were all that you'd want it to be, I would question the advisability of going ahead with it at this time when the watchword down here is still 'economy' and the money required for the film is a pretty sizable amount, certainly compared with anything we have spent in the past on such films."

Approved unanimously.

The following:

Name and Title

V. B. Smith, Federal Reserve  
Division of Research and Statistics

To travel to New York  
for the Bank examination

Parsons Wood, Economist,  
Division of Research and Statistics

To travel to New York  
for the Bank examination

To travel to New York  
for the Bank examination

To travel to New York  
for the Bank examination

Following the meeting  
Secretary that, approved

proceeding against Tom

35, 1953, consideration



Secretary