

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, March 31, 1953. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Szymczak
Mr. Evans
Mr. Vardaman
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. Vest, General Counsel
Mr. Young, Director, Division of Research and Statistics

The following requests for travel authorization were presented:

<u>Name and Title</u>	<u>Duration of Travel</u>
Dwight L. Allen, Director, Division of Personnel Administration	April 1 - 4, 1953

To travel to Atlanta, Georgia, to review the Personnel Department of the Federal Reserve Bank of Atlanta and discuss the classification of members of the Bank's examining staff.

Tynan Smith, Economist, Division of Research and Statistics	April 8 - 10, 1953
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To travel to New York, New York, to attend the 1953 National Consumer Credit Conference.

Approved unanimously.

Chairman Martin referred to the suggestion of the Conference of Presidents of the Federal Reserve Banks, as recorded in the minutes

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of the joint meeting of the Board and the Presidents on March 5, 1953, that there be instituted a study of consumer credit with a view to determining whether it would be desirable for the System to seek legislative authority giving it power to effect restraint in that field and, if so, the type of legislation needed. He said that he had been considering how such a study might be approached and that he would suggest the establishment of a committee for the purpose consisting of a member of the Board, as chairman, and one or more Federal Reserve Bank presidents.

Chairman Martin then proposed the appointment of Governor Robertson as the member of the Board to serve as chairman of the committee, with the understanding that the latter would communicate with Mr. Leach, Chairman of the President's Conference, and suggest the appointment of two presidents to serve on the committee. The committee would have the privilege of calling upon members of the Board and the presidents for their views and upon appropriate members of the staffs of the Board and the Federal Reserve Banks to assist in the study.

There followed a general discussion of what matters might be inquired into in the course of the proposed study. It was the consensus that the general approach should be, as suggested by the

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Presidents' Conference, to look into the various possibilities for regulation of consumer credit, particularly whether a method for restriction of such credit at the so-called "wholesale" level could be devised and, if so, whether that would be preferable to regulation at the retail level. Incident thereto, there might be various inquiries into the field of consumer credit to supplement the System's knowledge in that field so that as complete data as possible would be available should it be determined that the System should seek legislation to regulate consumer credit. In response to a question by Governor Robertson, Chairman Martin said that he did not feel that it would be necessary to set any particular time limit for completion of the study. It was also agreed that the study was not to confirm or disavow any policies or action taken in the past but was to be a completely independent approach to the problem of what the System's position should be on the question of legislation and the form it should take.

Following further discussion, it was agreed unanimously that the proposed study should be conducted along the lines suggested by Chairman Martin and the appointment of Governor Robertson as chairman of the committee to make the study was approved unanimously.

Chairman Martin then referred to a letter dated March 26, 1953, from Mr. Sproul, President of the Federal Reserve Bank of New York,

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regarding a suggestion made by one of the directors of the New York Bank that the Board consider the possibility of pursuing with the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and possibly the State bank supervisors the question of the issuance of a joint statement concerning the growth of consumer credit, which statement would be addressed to the commercial banks of the country. Copies of Mr. Sproul's letter had been distributed to the members of the Board prior to this meeting.

Following consideration of the matter, unanimous approval was given to a reply to Mr. Sproul in the following form:

"The Board of Governors has given consideration to your letter of March 26, 1953, in which you call attention to a suggestion by one of your Directors that the bank supervisory agencies look into the possibility of addressing a general statement to commercial banks of the country with respect to the growth of consumer credit. The Board notes the reservation in your letter about public statements of this kind and your inclination to rely more on action in the field of credit policy.

"A meeting of the Standing Committee consisting of representatives of the Federal bank supervisory agencies and the National Association of State Bank Supervisors will be held in Washington about the middle of this month and Governor Robertson, who represents the Board on the Committee, will present the suggestion for discussion at that time. Thereafter, the matter will be considered by the Board again in the light of the Committee discussion and you will be advised promptly of the conclusion reached."

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Chairman Martin stated that in the course of his testimony before the Senate Banking and Currency Committee yesterday on standby economic controls, reference was made to possible liberalization of the authority of the Federal Reserve Banks to make or guarantee business loans, this having come up in connection with a discussion relating to termination of the Reconstruction Finance Corporation. He also said this was a matter on which the Board might have to take a position and he would suggest a preliminary discussion of the matter at this meeting.

At Chairman Martin's request, Mr. Vest reviewed various proposals made in the past to liberalize the provisions of section 13b of the Federal Reserve Act. He also discussed briefly the draft of bill to amend section 13b which was recently submitted to Chairman Martin by the office of Mr. Burgess, Special Deputy to the Secretary of the Treasury, and which was the subject of Mr. Vest's memorandum to the Chairman dated March 25, 1953. This bill, he said, was substantially the same as Bill S. 408, recommended by the Board in 1947, and almost identical with a bill introduced in 1951 by Senator Robertson. Mr. Vest also mentioned that in 1950 there was under consideration, among other plans, a plan to provide so-called "regional corporations" which would be authorized to make loans to businesses and buy stock in businesses.

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The capital of these corporations would have been supplied initially by the Reserve System and the corporations would have operated under the supervision of the Board.

Mr. Vest recalled that there was also some discussion before the Senate Committee yesterday of applying the V-loan program to the granting of business loans by the Federal Reserve Banks on a peacetime basis. He thought that the reference was to a proposal along the lines suggested in a recent article in the Wall Street Journal, which contemplated the formation of a "small business administration" that would guarantee or make business loans under a plan whereby the Reserve Banks would act as fiscal agents on a basis somewhat similar to the V-loan program.

At the request of the Chairman, Messrs. Riefler, Thomas, and Young then presented their views concerning the several alternative proposals for liberalizing the lending activities of the Federal Reserve Banks. The members of the Board present expressed their individual views in the light of the suggestions made in the past and the fundamental question whether the System, as the central banking organization of the country which has responsibility for monetary and credit policies, should be placed in the position of either

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making or guaranteeing loans to any extent whatsoever in peacetime, particularly if there were no other instrumentality of the Government to make such loans. During the course of the discussion, Chairman Martin raised the question whether a statement of the Board's position on this matter might be prepared to be published in the Federal Reserve Bulletin and elsewhere if and when such a course seemed desirable. This question was considered but no decision was reached.

Governor Robertson stated that it would not be possible for the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation to send students to the next session of the Inter-Agency Bank Examination School, that he did not want to skip the next session, and that in the circumstances, he would like authority to contact each member of the executive committee of the National Association of Supervisors of State Banks to inquire whether the respective State authorities would want to send one or two men to the next session.

The authority requested was
approved unanimously.

Governor Evans suggested that Governor Robertson file with the Board a statement showing the cost involved to date in conducting the Inter Agency Bank Examination School, and Governor Robertson said that such a statement would be submitted.

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Chairman Martin stated that Mr. Cole, newly appointed Housing and Home Finance Administrator, called him on the telephone this morning, indicating that he wished to establish a close working relationship between the Federal Reserve and the Housing and Home Finance Agency on matters which fall within the fields of interest of the two agencies. In response to inquiries by Mr. Cole, Chairman Martin said, he suggested that Mr. Hardy, Assistant Housing and Home Finance Administrator, get in touch with Mr. Noyes, Assistant Director of the Division of Research and Statistics, for discussions of a proposal now before the Administrator to eliminate the remaining restrictions on Government-aided housing credit under the Defense Production Act, and that an appropriate member of Mr. Cole's staff contact Mr. Riefler, as Secretary of the Federal Open Market Committee, to discuss problems of timing the sale of issues of public housing bonds.

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

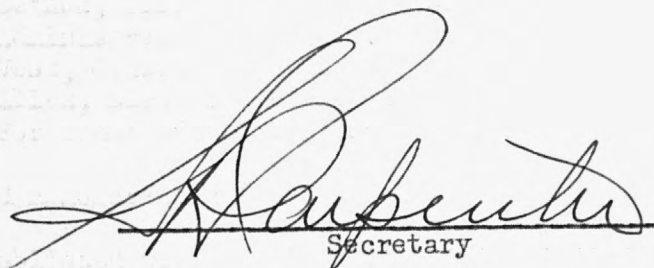
Minutes of actions taken by the Board of Governors of the Federal Reserve System on March 30, 1953, were approved unanimously.

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Letter to Mr. Wiltse, Vice President, Federal Reserve Bank
of New York, reading as follows:

"In accordance with the request contained in
your letter of March 26, 1953, the Board approves
the designation of Robert L. O'Keefe as a special
assistant examiner for the Federal Reserve Bank of
New York."

Approved unanimously.



Secretary