

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, April 27, 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. Kenyon, Assistant Secretary  
Mr. Thurston, Assistant to the Board  
Mr. Leonard, Director, Division of  
Bank Operations  
Mr. Vest, General Counsel  
Mr. Cherry, Legislative Counsel

Mr. Cherry presented a review of legislative developments during which he said that the Clerk of the House Banking and Currency Committee was to call him this morning and give the date on which a hearing would be held on Bill H. R. 4605, introduced by Representative Wolcott, of Michigan, to increase the authority for construction of Federal Reserve Bank branch buildings. The Senate Banking and Currency Committee, he said, was meeting in executive session today to consider bills now before that Committee, and according to a member of the staff of the Committee, it was likely that the comparable Senate bill, S. 1631, would be reported out by the Committee without a hearing.

Mr. Cherry reported that the Senate Committee on Post Office and Civil Service was to begin hearings today on Bill S. 573, introduced by

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Senator Bennett, of Utah, at the request of the American Bankers Association, to discontinue the Postal Savings System, and that a member of the staff of the House Committee on Education and Labor had stated to him that during the recent hearings before the Committee on the Taft-Hartley Act amendments only one reference was made to the existing exemption of the Federal Reserve Banks under the Act. The staff member doubted that there would be any move within the Committee to repeal the exemption, but agreed to keep Mr. Cherry advised so that if the matter should come up the Board would be given an opportunity to make any representations it wished to the Chairman of the Committee. Mr. Cherry added that he had not been in touch with the staff of the Senate Committee on Labor and Public Welfare to discuss the hearings on the Taft-Hartley Act which were held before that Committee.

Mr. Cherry added that the economic controls bill (S. 1081) was still being held up because of the debate on the "tidelands oil" bill. He thought it likely that the amendment to the bill offered by Senator Maybank, of South Carolina, to which he referred at the meeting on April 21, 1953, would be agreed to when the bill reached the floor of the Senate.

Governor Vardaman said that it appeared that the Board would be asked again in the near future to review the maximum permissible

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interest rate on V-loans, that he had discussed the matter with Mr. Gunderson, of the Washington office of the American Bankers Association, and that he advised Mr. Gunderson to ascertain the views of the guaranteeing agencies before submitting to the Board a request for an increase in the rate. Governor Vardaman said he continued of the opinion that there was no reason for the Board to increase the rate until the guaranteeing agencies indicated that the V-loan program was being hampered by the current rate. He expected that the matter would be pushed, however, and said that he might want to suggest at the meeting of the Board on Friday of this week that another meeting with the guaranteeing agencies be called to review the situation.

The Secretary stated that Congressman Busbey, of Illinois, Chairman of a subcommittee of the House Committee on Appropriations, called him on the telephone last Friday afternoon to request the services of Rodney H. Van Devanter, Administrative Assistant in the Division of Personnel Administration, for about a week for the purpose of checking over certain classification or job description sheets in connection with a matter pending before the subcommittee. Mr. Carpenter said he explained that the Division of Personnel Administration was extremely busy with work on salary plans at the Federal Reserve Banks but that he would look into the matter and inform the Congressman today whether it would be possible to spare Mr. Van Devanter. He further stated that in

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the meantime it had been ascertained that there were men in the Salary and Wage Stabilization Board who were qualified for the type of work in question and who could be made available for the purpose.

Following a discussion, it was agreed that Mr. Cherry should call on Congressman Busbey and suggest the use of someone from the Salary and Wage Stabilization Board, but that if the Congressman indicated a particular desire to have Mr. Van Devanter do the work, the Board would be agreeable to making his services available for the purpose.

Secretary's Note: Mr. Cherry called on Congressman Busbey later in the day and for reasons stated in his file memorandum dated April 27, 1953, indicated that the Board would make Mr. Van Devanter available.

Messrs. Thurston and Cherry then withdrew from the meeting.

Mr. Leonard reported that he had received a telephone call from Mr. Earhart, President of the Federal Reserve Bank of San Francisco, who stated that it had been planned to rent space in the Portland Branch building to the local office of the Federal Bureau of Investigation, that General Services Administration had located quarters for the Bureau elsewhere, that the First National Bank of Portland wished to rent the space in the branch building for its accounting department, and that this arrangement had been approved by the directors of the branch. However, counsel for the Reserve Bank had raised the question



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whether the fact that the national bank was controlled by Transamerica Corporation would have any bearing on the matter in view of the current Clayton Act proceeding against the Corporation, and President Earhart wished to have the views of the Board on that point although it was his own feeling that no problem would be presented. President Earhart also said that if any question should be raised at this time, it might be embarrassing to disapprove the action of the directors of the Portland Branch, and he wished to go ahead with the arrangement unless the Board felt otherwise.

During a discussion of the matter it was agreed that the national bank's connection with Transamerica Corporation should not be a determining factor. However, a majority of the Board expressed themselves as feeling that where space was available in a Reserve Bank or branch building, it would be preferable to lease it to a Government agency, or, as a second choice, to a nonfinancial organization, and that space should be leased to a financial institution only as a last resort because of the fact that such institution might consciously or unconsciously make use of the fact that it had quarters in the Reserve Bank building in such a way as to cause some embarrassment. It was suggested, however, that if the arrangements for the proposed lease of space at the Portland Branch had proceeded to the point where it would be difficult for the Reserve Bank to withdraw, it would probably be better for the Board not to interpose any objection.

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Mr. Vest stated that he knew of no legal objection to leasing the space to the national bank but that in his opinion there was merit to the view that such a practice should be avoided as a general policy.

Thereupon, it was agreed that Mr. Leonard should ascertain from President Earhart the status of the negotiations, with the understanding that if the negotiations had proceeded to the point of a definite commitment on the part of the Reserve Bank, the Board would interpose no objection to the signing of the lease. It was also understood that Mr. Leonard would inquire of President Earhart as to the circumstances which caused the Federal Bureau of Investigation to decide upon the use of other quarters.

Governor Vardaman suggested that a general letter might be sent to the Chairmen and Presidents of all Federal Reserve Banks with respect to the leasing of space in Reserve Bank buildings.

Messrs. Leonard and Vest then withdrew from the meeting.

There was presented a draft of letter to Mr. Prochnow, Secretary of the Federal Advisory Council, submitting topics to be discussed at the next meeting of the Council and the Board on May 19, 1953. The draft suggested that instead of the Council preparing a formal statement, as had been done in the past, the members of the Council be prepared at the joint meeting to participate in a round table discussion of the topics listed.

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Following a discussion of the existing procedures for the meetings of the Board and the Council and the circumstances under which these procedures were adopted, unanimous approval was given to a letter to Mr. Prochnow in the following form, with the understanding that Chairman Martin would discuss the proposed change in procedure with Mr. Brown, President of the Council, and ascertain whether there would be any objection to it:

"This letter is in reply to yours of April 17 with respect to the meeting of the Federal Advisory Council on May 17-19, 1953. The Board Room will be available on Monday afternoon, May 18, for the meeting of the Council, and the usual arrangements have been made for luncheon for fourteen in the Blue Room on May 19. The items referred to in the last two paragraphs of your letter will be sent to you at the hotel on the preceding Friday.

"The Board will be glad if the following items can be placed on the agenda for discussion with the Board at the joint meeting on May 19:

1. What are the views of the Council with respect to the prospective business situation during the next six months and the probable changes in the volume and purposes of bank loans in that period including commercial, consumer, and real estate loans?
2. What comments does the Council have to make with respect to (a) the System's credit policies in the months ahead, and (b) the steps that might be taken in the field of credit policy in the event of a change in the economic climate?
3. The proposal is being advanced in the Congress that the Reconstruction Finance Corporation be abolished and that some arrangement be made through the Federal Reserve Banks or otherwise for the extension of loans, particularly to small business, which would not be available through the regular banking channels. The Board would like to have the views of the Council on this proposal and, if thought desirable, the manner in which it might best be carried out."

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Governor Mills stated that the Committee on Current Business Developments was meeting in Washington and that a dinner had been planned for the group and about twenty members of the Board's staff at a local hotel. He raised the question whether it would be appropriate for the Board to pay the cost of the dinner, having in mind that when the meetings of the Committee were held at one of the Federal Reserve Banks it was customary for the Bank to absorb the cost. He pointed out that if the Board did not pay for the dinner the representatives of the Reserve Banks attending would include the cost on their expense accounts, but the members of the Board's staff involved would have to pay for the dinner themselves.

The matter was discussed in the light of the policy regarding payment by the Board of the cost of dinners held in connection with System conferences, as stated in actions taken on February 4, 1947, and November 10, 1949. The latter action provided that the Board would pay the cost of a dinner not more frequently than once each year for persons attending the Auditors' Conference, Examiners' Conference, and the System Research Advisory Committee meeting in Washington, provided that the cost of such dinners did not exceed \$10 per person and the list of those invited was submitted in advance for approval.

At the conclusion of the discussion, there was agreement with the suggestion that it would not be wise to expand the established policy to include what in effect were subcommittees of the groups to which the present policy applies.




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Chairman Martin referred to the decision reached at the meeting of the Board on April 21, 1953, that one member of the senior staff should be selected to represent the staff at the ceremonies on May 6 incident to the opening of the new building of the Federal Reserve Bank of Boston, and he stated that he had asked Mr. Carpenter to go to Boston for that purpose.

The meeting then adjourned. During the day the following additional action was 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 April 24, 1953, were approved unanimously.

  
Secretary