Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, April 21, 1954. 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. Thurston, Assistant to the Board
Mr. Vest, General Counsel
Mr. Sloan, Director, Division of Examinations
Mr. Johnson, Controller
Mr. Hexter, Assistant General Counsel

There was presented a request from Mr. Horbett, Assistant Director, Division of Bank Operations, for authority to travel to Richmond, Virginia, on April 27 and 28, 1954, to visit the Federal Reserve Bank of Richmond, in connection with the Eastern Regional Conference of the National Association of Bank Auditors and Comptrollers, and to discuss matters of mutual interest, particularly certain aspects of the reserve studies now under way and bank reports and statistics.

Approved unanimously.

Governor Robertson stated that representatives of the Federal Bureau of Investigation had inspected the model bank records of the Inter-Agency Bank Examination School and would like to photostat some of those records for use in connection with the Bureau's training program for its agents. He recommended that the Bureau's request be granted, adding that
no cost to the Board would be involved, that the work would be done under the supervision of the Board's staff, and that only such records would be made available for this purpose as he and the Board's staff deemed appropriate.

Governor Robertson's recommendation was approved unanimously.

Pursuant to the understanding at the meeting on April 15, 1954, that the matter would be discussed further when all of the members of the Board were present, Governor Robertson summarized the report which he had made at that time regarding his conversation with Deputy Comptroller of the Currency Jennings concerning the draft of bill submitted by the Treasury Department which would amend section 5240 of the Revised Statutes to modify the present requirement, that every national bank must be examined at least twice in each calendar year, by authorizing the Comptroller of the Currency, in his discretion, to waive one such examination. He also referred to the letter that the Board sent to the Bureau of the Budget on March 31, 1954, expressing its views on the proposed bill, and stated that according to Mr. Jennings, Mr. Rowland R. Hughes, Director of the Bureau of the Budget, had indicated that the Board's letter would be sent to the Banking and Currency Committees of the Senate and House of Representatives along with the proposed bill unless the Board should decide to withdraw or amend the letter. After analyzing Mr. Jennings' reasons for favoring the bill, and after reviewing the Board's letter in the light of
Mr. Jennings' statements, Governor Robertson expressed the opinion that the views stated in the letter were defensible and that the letter should remain unchanged.

Chairman Martin said that Comptroller of the Currency Gidney would return to Washington tomorrow, and he suggested that as a courtesy to the Treasury Department, Mr. Gidney be given an opportunity to discuss the matter with the members of the Board, if he so desired, before the Board reached a final decision, since it was possible that Mr. Gidney might want to offer some compromise for consideration.

Following a discussion, Chairman Martin was authorized to tell Mr. Gidney that the Board would be glad to discuss the matter with him if he wished, it being understood that Chairman Martin might also say to Mr. Gidney that at present the Board was not disposed to withdraw or amend its letter to the Bureau of the Budget.

At this point Messrs. Sloan and Hexter withdrew and Mr. Leonard, Director, Division of Bank Operations, entered the room.

Governor Evans stated that just before this meeting he received a telephone call from Mr. Young, President of the Federal Reserve Bank of Chicago, who said that in accordance with the Board's letter of April 2, 1954, the Reserve Bank was exploring the purchase of properties located in the same block as its head office building and felt that the best way to proceed would be to buy outright the so-called "taxpayer" building, located on Jackson Boulevard at Wells Street, rather than to go through
the process of taking an option and then obtaining the approval of the Board of Governors before the purchase was consummated. Governor Evans said that according to Mr. Young this property was appraised at $650,000 about a year ago, and might now be purchased at a price not exceeding $575,000. He said Mr. Young appeared to feel that the purchase of this property would put the Reserve Bank in a better position to negotiate for the United States Fidelity and Guaranty Company building, which stands between the taxpayer building and the Reserve Bank's head office premises. In addition, Mr. Young pointed out that the Reserve Bank was in need of storage space and that the taxpayer building could be used for that purpose. Mr. Young requested, therefore, that the Board of Governors authorize the Chicago Bank to purchase the property at a price not exceeding $575,000, subject to approval of the transaction by the directors of the Reserve Bank at their meeting tomorrow.

Governor Evans also stated that he inquired of President Young whether the Reserve Bank had given further consideration to the matter of establishing additional branches in the Seventh Federal Reserve District, concerning which the Board of Governors had stated certain views in a second letter to the Bank dated April 2, 1954. He said Mr. Young replied that additional information bearing on that question was being prepared by the staff of the Bank for presentation to the board of directors.

In response to a question as to why it would be preferable to purchase the taxpayer building outright rather than to take an option in accordance with the customary practice, Governor Evans said Mr. Young seemed
to think that it would be advisable to complete the transaction before
the Reserve Bank's interest in the property became widely known and that
Mr. Young also referred to the possibility that the owners of the
property might enter into a long-term lease with the present tenants.
In reply to another question, Governor Evans said that according to
President Young the Chicago Bank was not at this time actively negoti-
ating with the owners for the United States Fidelity and Guaranty Com-
pany building.

Governor Evans then suggested that the Chicago Bank be advised
to take an option on the taxpayer property at the best price that could
be arranged, following which the Bank might negotiate for the United
States Fidelity and Guaranty Company property and advise the Board of
Governors as to the results of such negotiation. He thought that the
Board of Governors would then be in a better position to judge whether
the purchase of the properties should be approved.

During a discussion which followed, reference was made to the
advantages which might accrue to the Chicago Bank through having space
in the taxpayer building available for storage, and possibly other pur-
poses, thus affording more flexibility at the head office than through
the use of quarters now rented. However, the members of the Board ex-
pressed themselves as finding it difficult to understand why the pur-
chase of the taxpayer building would enhance the prospect of successfully
negotiating for the United States Fidelity and Guaranty Company property.
They also brought out that the Board was not in a position to judge whether
the price of $575,000 mentioned by President Young represented a fair
price for the taxpayer property. It was noted in this connection that in few, if any, other cases had the Board of Governors been requested to authorize the purchase of property by a Reserve Bank without a recommendation from the directors of the Bank concerned.

In all the circumstances, it was suggested that Governor Evans be authorized to say to President Young over the telephone that, while the Board of Governors would have no objection to the taking of an option on the taxpayer property, the Board had some reservations with respect to the procedure he had recommended and would like to have a recommendation in writing from the Bank's board of directors.

This suggestion was approved unanimously.

Messrs. Leonard and Vest then withdrew from the meeting.

Mr. Johnson, who had sent to the members of the Board under date of March 19, 1954, a report on the Board's 1953 budgetary performance, commented on that report. Following a discussion based on Mr. Johnson's comments, which included reference to preliminary figures on expenditures for the first quarter of 1954, Chairman Martin suggested that the performance under the budget be reviewed by the Board not less frequently than once each quarter. It was also suggested that Mr. Johnson report to the Board as soon as possible regarding the experience under the budget for the first quarter of 1954.

Mr. Johnson then withdrew from the meeting.
Governor Vardaman referred to the report submitted under date of February 18, 1954, by a System staff committee concerning procedural suggestions for the regulation of consumer credit. He inquired what procedure was contemplated for further consideration of the staff report, stating that in the event of a national emergency steps might have to be taken quickly for the control of consumer credit and the Board no doubt would be called upon to make some recommendation regarding the method by which such control should be exercised.

The report to which Governor Vardaman referred had been prepared at the request of the Special Committee on Consumer Credit, consisting of Governor Robertson, as Chairman, Mr. Sproul, President of the Federal Reserve Bank of New York, and Mr. Johns, President of the Federal Reserve Bank of St. Louis. In a report dated June 11, 1953, the Special Committee concluded that it would be desirable for the Federal Reserve System to have permanent authority to regulate consumer credit selectively as a supplement to its general instruments of monetary policy. The Committee felt, however, that before approaching the Congress for such authority the System should have worked out the type of regulation which would be employed and the way in which the authority would be used. Subsequently, Governor Robertson wrote to the Presidents of all Federal Reserve Banks enclosing copies of the Committee's report and requesting their tentative views with respect to possible methods of selective regulation of consumer credit and the administrative, enforcement, and public relations aspects of such a program. After the replies were received, a staff committee consisting of Mr. Chase, Assistant General Counsel for the Board, Mr. Lewis,
Vice President of the Federal Reserve Bank of St. Louis, and Mr. Scheffer, Manager of the Government Bond Department of the Federal Reserve Bank of New York, was appointed to study and evaluate the various procedural suggestions received from the Reserve Banks.

After reviewing the developments summarized above, Governor Robertson said that the Special Committee, after deciding to send copies of the staff committee report to the Federal Reserve Banks, also decided not to pursue the matter immediately, but to wait for a reasonable period before again requesting the views of the Reserve Banks. Meanwhile, he said, the subject was under consideration.

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 April 20, 1954, were approved unanimously.

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 April 13, 1954, the Board approves the appointments of John A. Clear, Charles J. Menge, and Kenneth B. Mealer as examiners for the Federal Reserve Bank of New York.

Please advise as to the dates upon which the appointments are made effective, and as to salary rates.

Approved unanimously.

Secretary