

November 10, 1954

Internal Memorandum

Conversation with Mr. Guy Noyes

Mr. Noyes is secretary of the Federal Reserve System Research Advisory Committee. I went to see him in order to follow up some information which had been given me in St. Louis last summer, or rather, it was a hint which came out of information which made me think that possibly the regional banks had to ask permission from the Federal Reserve System before they engaged in certain types of research or wrote certain papers. It was in order to check on this and see what kind of coordination there might be that I went to see Mr. Noyes.

Mr. Noyes says that hot coordination exists, takes place through the System Research Advisory Committee. This is composed of representatives of six of the regional banks who hold their seats on a rotating basis. Woodlief Thomas is chairman. Meetings of this committee usually include all twelve banks. The representatives of these banks, sitting on the committee, meet at least annually. Proposals for individual research projects are frequently cleared between meetings by letter or telephone conversation.

In addition to this System Research Advisory Committee, there is also a subcommittee of the President's Conference Committee on Research and Statistics. This has, in turn, a working subcommittee of vice-presidents in charge of research at each bank. This second group always meets at the same time as the System Research Advisory Committee. There is, therefore, no conflict in operation between the two groups. The day-to-day work is coordinated through groups of subcommittees of technicians under the System Advisory Committee. These include, for instance, the Current Reporting Series Committee, the Committee on Agriculture of the System's economists, the Committee on Banking and Credit Policy, etc. Membership of this latter coincides with the System Open Market Economists made up of the staff of the Federal Open Market Committee.

All these groups meet at least once, and probably twice, a year. A Committee on Education and Publications has routine and policy work. It meets at least once a year.

There are three more: a Committee on Business Finance, a Committee on Government Finance, and a Committee on Real Estate Credit. These three meet on an ad hoc basis whenever necessity seems to dictate a meeting.

The System Committee of Research Specialists has been in operation since the 1930's, and in the opinion of Mr. Noyes, it works reasonably well. The banks have their regional interests, and the Board encourages the regional banks to adapt their research to problems within their regions.

Asked about how much dictation (that is an unhappy word) the Board exercised, he told me that there was very little. The format of the Monthly Review put out by each regional bank is freely decided, and far from an emphasis on uniformity, the emphasis is really on non-uniformity.

On the other hand, the Current Reporting Series should naturally be as uniform as possible, although there may be extra refinements in the case of some of the regional banks.

There is a Federal Reports Act which governs things of this kind and applies to the Federal Reserve System. Because of the terms of this Act, any project of a regional bank which involves a big collection of data covering the whole country must be cleared through the Bureau of the Budget. A single bank can initiate a project of this type, but it must clear that project. For example, if one of the banks tried to initiate a big farm equipment study covering the whole United States, that would have to be cleared through the Bureau of the Budget. On the other hand, the St. Louis Bank is unique in its Input-Output Study. This is a regional affair, adjusted to the region in which the St. Louis Bank operates, and there is, therefore, no need to clear it with the Bureau of the Budget. As

another example, the Philadelphia Bank does a special study in cooperation with the state of Pennsylvania on the Local Labor Force. The Boston Bank does cooperative research with the New England Council. Dallas has a petroleum economist. San Francisco did a special study on West Coast Fishing and the industry which handles it. Minneapolis did a study on taconite. All this was done on the initiative of the individual regional bank, but the Board prefers that anything which sets up a long-term commitment in the way of a study should come before the Board.

There is no special coordination of internal memoranda which originate within the banks. There is, on the other hand, an informal understanding that memoranda of sufficient general interest will be sent around. For this purpose, the System Research Committees and subcommittees are very useful.

The Board itself puts out a sheet called Current Comments in mimeograph which is kept on file.

There is close coordination between the New York Bank and the Washington Board on the foreign area, and most of the research in this field is done in those two places, though San Francisco has one man spending part time on foreign research. The Chicago Bank has felt that they should do more on the foreign impact on their business, but thus far not much has happened on this.

There is a constant attempt to keep members of various regional banks on the same level, who work in research, in communication with each other, and this accomplishes a great deal.

The minutes and records of the System Research Advisory Committee are in Washington. Documentation and background memoranda also are kept. (This would need some specific studying in order to know exactly how valuable this material was).