

For release on delivery

Statement of  
W. Braddock Hickman  
President, Federal Reserve Bank of Cleveland  
before the  
Subcommittee on Domestic Finance  
of the  
Committee on Banking and Currency  
House of Representatives

January 29, 1964

Mr. Chairman and Members of the Committee:

My name is W. Braddock Hickman. I am President of the Federal Reserve Bank of Cleveland. I joined the staff of the Federal Reserve bank as Senior Vice President on February 1, 1960, for the purpose of familiarizing myself with Federal Reserve operations and policies with a view to assuming the presidency of the bank on the retirement of my predecessor, Mr. Wilbur D. Fulton, effective May 1, 1963. My tenure of office, therefore, has been short.

I hold a bachelor's degree in economics from the University of Richmond and a doctorate from the Johns Hopkins University.

I taught at Princeton and Rutgers Universities.

I served in the Navy for four years during World War II, and have since worked at the National Bureau of Economic Research, New York Life Insurance Company, and American Airlines. I have had no direct official connection with any commercial bank at any time in my career. For a short time (less than one year) I was associated with a savings bank in Baltimore, Maryland, as a fellow of the Social Science Research Council.

The possibility of my joining the official staff of the Federal Reserve Bank of Cleveland to assume the presidency was first suggested to me by the then Chairman of the Board of Directors, Mr. Arthur B. Van Buskirk, who informed me that my name had been suggested to him by members of the staff of the Board of Governors of the Federal Reserve System in Washington, D. C.

My qualifications were first reviewed by the Board of Directors'

Special Committee on Senior Officer Personnel, which consisted of:

Dr. Aubrey J. Brown (Chairman)  
Professor of Agricultural Marketing and Head of the  
Department of Agricultural Economics  
University of Kentucky  
Lexington, Kentucky

Joseph B. Hall, President (now Chairman of the Board)  
The Kroger Co.  
Cincinnati, Ohio

Charles Z. Hardwick, Executive Vice President and Director  
The Ohio Oil Company (now Marathon Oil Company)  
Findlay, Ohio

Joseph H. Thompson, President (now Chairman of the Board,  
The M. A. Hanna Company                      Hanna Mining Company)  
Cleveland, Ohio

Arthur B. Van Buskirk (ex officio)  
Vice President and Governor  
T. Mellon and Sons  
Pittsburgh, Pennsylvania

Subsequently, I met with the entire Board, which included, in addition to  
those above, the following

George P. MacNichol, Jr., President (now Chairman of the Board)  
Libbey-Owens-Ford Glass Company  
Toledo, Ohio

Ray H. Adkins, President  
The National Bank of Dover  
Dover, Ohio

John A. Byerly, President  
Fidelity Trust Company  
Pittsburgh, Pennsylvania

Paul A. Warner, President  
The Oberlin Savings Bank  
Oberlin, Ohio

Prior to meeting these gentlemen under the stated circumstances I had had only passing, casual, business or professional contacts with persons in the Fourth Federal Reserve District. I have no knowledge that those contacts, such as they may have been, played any part in my selection.

I do not feel that I am under obligation to any bank or banker or that I have been subjected to any pressure whatsoever by the bankers in the Fourth District or elsewhere or, indeed, by anyone in the business world regarding the position I should take on monetary policy. On the contrary, I have felt that for the most part bankers and businessmen in the community have tended to look to the Federal Reserve System and its officials for leadership in this area.

The directors of the Federal Reserve Bank of Cleveland have been outspoken and vigorous in asserting their responsibility for, and interest in, those bank operation matters in which their training and experience have given them particular competence: efficient and economical operating methods; reasonable and responsible personnel policies; the training and development of people to assume responsibility; review and control of budgets; and review of audits and audit procedures. Their interest and activity in those areas are a part of their normal and proper responsibility as directors, and have not been used in any way to embarrass me in the discharge of responsibilities in the field of monetary policy.

Prior to assuming the presidency of the bank, I served for a short period as Associate Economist of the Federal Open Market Committee. As President since last May, I have been an Alternate Member of the Committee. During my contacts with the Committee I have been impressed with the competence of the group and with their devotion to public duty. The different backgrounds of the participants in the Federal Open Market Committee are reflected clearly, in my opinion, in the thorough discussions of the issues and policies that affect monetary management.

As an alternate member of the Committee during the past nine months, I have tried to keep the Committee informed of business and financial developments in the Fourth Federal Reserve District. I have also, at the invitation of the Committee, expressed my views on national and international developments, and on monetary policy. At the same time, the deliberations of the Federal Open Market Committee--the discussions by members of the Board of Governors, the other Federal Reserve Presidents, and the Committee's staff--have helped to keep me abreast of business and financial developments, and have deepened my understanding of the objectives of System policy. This experience will be helpful to me when I become a member of the Committee and face the responsibility of voting on the questions that come before it.

I am in agreement with the opening statement made by Chairman Martin before this Committee last Tuesday in all major points of principle. However, insofar as you may wish me to express my own views today, I might mention a point on which I apparently differ with Chairman Martin. I have some reservations about the desirability of reducing the size of the Board of Governors from seven to five members. As a matter of public policy, it is desirable to have the Board membership occupy a majority position in the Federal Open Market Committee, as they do now with seven out of 12 members. With only five members, the Board majority would disappear, unless the number of presidents holding memberships were also reduced, which (perhaps because I am a president) I think would be undesirable. I should think also that a reduction of the Board membership from seven to five would throw an excessive burden on the Board when there are absences. The inevitable illnesses, vacations, and essential travel at home or abroad in connection with the official business of the Board, must frequently necessitate the absence of at least one member and quite possibly two members. To reduce the Board to five members would seem to be cutting it pretty thin. On the whole, it has seemed to me that the present Board membership of seven works fairly well. But Chairman Martin is clearly much better qualified on this subject than I, and I defer to him.

I would like to supplement Chairman Martin's comments regarding the proposal to retire the capital stock of the Federal Reserve banks, H.R. 3783, by pointing out that this proposal would increase the annual revenue of the Treasury by only about three and one-half million dollars. (See the exhibit attached.) I do not believe that the small amount involved would justify the disadvantages that would accrue from the proposed retirement of the stock. A change in this area, unless it is clearly for the better, might disturb the confidence of bankers and businessmen. The loss of an asset yielding a certain return of 6% would reduce the attractiveness of membership in the System, particularly for small banks. Substantial withdrawals from membership would increase the difficulty of making monetary policy effective. If the attractiveness of membership in the System is reduced to the point where monetary policy becomes ineffective, it would be necessary to require compulsory membership or uniform reserve requirements for all banks.

Exhibit

In 1963, the Federal Reserve banks paid to the

member banks in dividends \$ 29 million

The member banks paid estimated income taxes

on these dividends of \$ 7.6 million

The net gain to the Treasury would have been . . . . . \$ 21.4 million

The return of the \$500 million of capital stock

would increase member bank reserves

by about \$500 million

As a result Federal reserve earning assets

would be less (than they otherwise

would have to be to provide the reserves

desired for monetary reasons)

by about \$500 million

Earnings which would be lost to the Treasury,

on \$500 million at the average rate of

3.6% earned by the System in 1963,

amount to about . . . . . \$ 18.0 million

The difference would have represented a net

gain to the Treasury in 1963 of approximately . . . . . \$ 3.4 million

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