

Philadelphia Field Meeting held on
Tuesday, May 29, 1962, at 6:00 p.m.,
at the Sheraton Hotel, Philadelphia.

ROLE OF THE FEDERAL RESERVE SYSTEM

I. PROMOTE OUR ECONOMIC OBJECTIVES.

- A. Reasonably full employment.
- B. Stable price level.
- C. Balance in international payments.

II. LIMITATIONS: Can't do alone!

e.g. Developments in steel.

- A. Labor.
- B. Management.
- C. Government.

We as a society have some basic issues to resolve.

III. NATIONAL GOALS OF OUR ECONOMIC SYSTEM.

A. Section 2 of Employment Act of 1946:

" . . . Federal Government shall use all practicable means . . . in a manner calculated to foster and promote free competitive enterprise and the general welfare . . . to promote maximum employment, production, and purchasing power."

IV. OPERATE IN ACTUAL WORLD -- not ideal world of models.

A. Maturity based on experience.

- not erratic -- promptly.
- not frighten easily.
- not stubborn for sake of stubbornness.

B. Tradition to adapt.

- from conviction, not as expediency.

C. A recent illustration.

1. The model and leaning against the wind.

2. The real world.

- Large unemployment.
- Stable price level.
- Adverse balance of payments.

3. Resolution -- adaptation.

- Provide reserves
- WITHOUT
- Depressing short-term rates.

D. Another illustration.

1. Dealing in foreign currencies.

(a) Advantages of a convertible world.

(b) Hazards of a convertible world.

 \$ Key Currency.

(c) What can and cannot be achieved.

"Other assets, denominated in foreign currencies."

V. PROPOSAL TO CHANGE TERM OF CHAIRMAN AND VICE CHAIRMAN OF THE BOARD OF GOVERNORS.

A. History:

Before 1935 --

President designated a Governor + Vice Governor --

No specified term:

Until 1927 -- for one year.

1927-1936 -- "until otherwise directed."

Banking Act of 1935 --

Chairman + Vice Chairman --

"To serve as such for a term of four years."

1936-1948	exp. Jan. 31	Eccles
1948	Apr. 15	McCabe
1951	Apr. 2	Martin

Present term expires -- 3/31/63.

B. Kennedy proposals of April 17, 1962.

1. The proposals:

(a) Terms of Chairman + Vice Chairman to begin--

February 1, 1965 -- to be for 4 years.

TRANSITION:

Appointment PRIOR TO --

Expire then.

(b) Terms of Governors to expire --

January 31, odd numbered years.

TRANSITION:

Extend incumbent terms by one year.

2. Will this lead to Executive Control?

(a) Not a "Supreme Court Packing" operation.

KENNEDY LOSES --

(1) Part of term of Chairman appointed by him.

(2) Appointment of one Governor.

"Lame Duck" appointment -- late in term?

(b) Spotlight on the appointment.

- (1) Domestic interest in.
- (2) Foreign interest in.

(c) Job makes the man responsible.

(d) Character of Appointee.

Truman - McCabe.

- (1) Strong man -- will influence administration.
- (2) Weak man -- cannot commit the System.
- (3) System has been battered -- but not a pushover.

3. The source and meaning of independence.

(a) Central Bank cannot be irresponsible.

(b) REAL power not legal --
BUT earned.

The power of resignation -- with reasons.