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Statement by Chairman Martin of the
Board of Governors of the Federal Reserve System
on S. 1427, Repealing Certain Silver Legislation,
before the Subcommittee on the Federal Reserve System
of the Senate Committee on Banking and Currency,
July 13, 1955.

Existing legislation fixes the price at which silver is purchased by the Treasury, and sets a price below which the Treasury cannot sell silver. The market price of silver has been such, in recent years, that this existing legislation has caused all silver domestically produced to be sold to the Treasury. To this extent, the role played by silver in our monetary system has been increased. S. 1427 proposes to stop this process by repealing those provisions of existing legislation which fix the price at which the Treasury must buy silver.

The Federal Reserve System is, of course, concerned primarily with the effect upon monetary policy of silver purchases under existing legislation. We are not prepared to say that the effect of the silver purchases necessitated by existing legislation has seriously complicated our problems of monetary management in recent years. It is true that these purchases, when monetized, may increase member bank reserves. But as compared with other factors influencing member bank reserves in recent years, their effects on reserves have been relatively small; and these effects can be offset, if necessary, by other operations of the Federal Reserve System. Since these purchases are unnecessary from the standpoint of monetary policy, the Board of Governors has no interest in the continuance of existing legislation with respect to silver purchases.