

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, January 12, 1953. The Board met in the Board Room at 10:05 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Szymczak
Mr. Evans
Mr. Mills
Mr. Robertson

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Kenyon, Assistant Secretary
Mr. Riefler, Assistant to the
Chairman
Mr. Thomas, Economic Adviser to
the Board
Mr. Young, Director, Division of
Research and Statistics
Mr. Solomon, Assistant General Counsel
Mr. Youngdahl, Assistant Director,
Division of Research and Statistics

There was presented a draft of letter to the Honorable Leon Keyserling, Chairman of the Council of Economic Advisers, prepared in response to Mr. Keyserling's letter to Chairman Martin dated January 9, 1953, requesting comments on an enclosed draft of the President's Economic Report.

During the course of a discussion of the draft Governor Robertson withdrew from the meeting to attend a meeting of the joint committee appointed by Secretary of the Treasury Snyder and Secretary of the Treasury-designate Humphrey to review plans and determine procedures to be followed in making the transfer of the Government's stock of

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gold and silver bullion and other assets in the custody of the Treasury to the officials of the incoming Administration.

Several changes in the draft of reply to Mr. Keyserling were suggested. Governor Mills suggested also that it might be desirable to prepare an elaboration of the fourth paragraph of the reply with the thought that the release of the President's Economic Report might lead to public discussion which would call for comment by the Board.

At the conclusion of the discussion, unanimous approval was given to a letter from Chairman Martin to Mr. Keyserling in the following form:

"As you doubtless surmised when you sent me your draft of the President's Economic Message, I am somewhat disturbed by the observations that deal with the relationship of monetary policy to achievement and maintenance of full employment and high level stability without inflation. Personally, I do not feel that the discussion of the subject is fair and balanced and I question whether in future years either you or the President will be happy if the present discussion is allowed to stand.

"It seems to me that the text sets up a series of 'strawman' propositions unrelated to the policy problems the Government has actually faced in the monetary area in recent years. For example, much of the discussion is focused on two propositions: first, that there are some people who consider monetary policy a panacea for all of our economic ills; and second, that a restrictive monetary policy necessarily involves contraction of the money supply. The latter is obviously incorrect with respect to the monetary policies that have been followed in this period.

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"With respect to the first proposition, you already know that I am not one who has regarded monetary policy as a panacea, and you know also that the Board of Governors has fought as ardently as any one for adequate fiscal policies. In their official statements, Federal Reserve officials have always emphasized that monetary policy is only one weapon, though an essential one, in the pursuit of economic stability.

"The issue in recent years has really been whether in a period of full employment inflation could be avoided without discouragement to the monetization of past savings. In the postwar period, the cashing of past savings without loss at a time of full employment augmented demand to a level that could not be accommodated out of current output and thus resulted in inflationary price rises, which depreciated the value both of current income and of past savings.

"There is now at hand a record of experience, both in this country and abroad, that was not available to us a few years back. It shows that in the absence of such discouragement to the monetization of past savings full employment is likely to be accompanied by inflation and that economic stability at high levels of employment requires as one essential element an appropriate policy in the money market.

"Your report otherwise records many great achievements. It is hard for me to see why you would risk leaving the impression of a failure to give proper weight to one of the indispensable elements for avoiding inflation under conditions of full employment. The best suggestion I can make to remove this impression is that you drop the discussion beginning after the first paragraph on page 31 to the beginning of the new section on page 32.

"The Board of Governors concurs with me in this letter."

At this point all of the members of the staff except Messrs. Carpenter, Sherman, and Kenyon withdrew from the meeting and the following additional actions were taken by the Board:

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Minutes of actions taken by the Board of Governors of the Federal Reserve System on January 9, 1953, were approved unanimously.

Memorandum dated December 19, 1952, from Mr. Sloan, Director, Division of Examinations, recommending an increase in the basic salary of William R. Mernah, Assistant Federal Reserve Examiner in that Division, from \$3,410 to \$3,795 per annum, effective January 18, 1953.

Approved unanimously.

Memorandum dated January 5, 1953, from Mr. Young, Director, Division of Research and Statistics, recommending that the appointment of Jeanine O'Shields, Clerk-Typist in that Division be changed from temporary to temporary indefinite, with no change in her present basic salary at the rate of \$2,830 per annum, effective January 13, 1953.

Approved unanimously.

Memoranda recommending that the resignations of the following employees be accepted, effective the dates indicated:

<u>Date of Memorandum</u>	<u>Name and Title</u>	<u>Effective Date</u>
	Memorandum from Mr. Young, Director, Division of Research and Statistics	
1/6/53	Charles E. Fox, Jr., Economist	1/9/53

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<u>Date of Memorandum</u>	<u>Name and Title</u>	<u>Effective Date</u>
	Memorandum from Mr. Bethea, Director, Division of Administrative Services	
1/6/53	Raymond J. Martin, Operator (Duplicating Devices)	1/9/53

Approved unanimously.

Letter to the Federal Deposit Insurance Corporation, Washington, D. C., reading as follows:

"Pursuant to the provisions of section 4(b) of the Federal Deposit Insurance Act, the Board of Governors of the Federal Reserve System hereby certifies that The First State Bank of Oxford, Oxford, Alabama, became a member of the Federal Reserve System on January 2, 1953, and is now a member of the System. The Board of Governors of the Federal Reserve System further hereby certifies that, in connection with the admission of such bank to membership in the Federal Reserve System, consideration was given to the following factors enumerated in section 6 of the Federal Deposit Insurance Act:

1. The financial history and condition of the bank,
2. The adequacy of its capital structure,
3. Its future earnings prospects,
4. The general character of its management,
5. The convenience and needs of the community to be served by the bank, and
6. Whether or not its corporate powers are consistent with the purposes of the Federal Deposit Insurance Act."

Approved unanimously.

Letter to Mr. Diercks, Vice President, Federal Reserve Bank of Chicago, reading as follows:


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"In accordance with the request contained in your letters of January 5, 1953, the Board approves the appointments of Robert F. Achor and Austin Wheatley as assistant examiners for the Federal Reserve Bank of Chicago.

"Please advise us of the dates upon which the appointments are made effective."

Approved unanimously.


Secretary