

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, May 15, 1953. The Board met in the Special Library at 10:00 a.m.

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

Mr. Carpenter, Secretary
 Mr. Sherman, Assistant Secretary
 Mr. Kenyon, Assistant Secretary
 Mr. Thurston, Assistant to the Board
 Mr. Riefler, Assistant to the Chairman
 Mr. Vest, General Counsel
 Mr. Young, Director, Division of
 Research and Statistics
 Mr. Hackley, Assistant General Counsel
 Mr. Cherry, Legislative Counsel

There was presented a telegram to Mr. Dunne, Acting Secretary, Federal Reserve Bank of St. Louis, reading as follows:

"Reurtel May 11, Board approves effective May 18, 1953, rate of 3 per cent on advances to individuals, partnerships, or corporations other than member banks under last paragraph of Section 13. Otherwise Board approves establishment without change by your Bank on May 11, 1953, of rates of discount and purchase in Bank's existing schedule."

Approved unanimously.

There were presented telegrams to the Federal Reserve Banks of Boston, New York, Cleveland, Richmond, Minneapolis, Kansas City, and San Francisco stating that the Board approves the establishment without

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change by the Federal Reserve Bank of Boston on May 11, by the Federal Reserve Bank of San Francisco on May 12, and by the Federal Reserve Banks of New York, Cleveland, Richmond, Minneapolis, and Kansas City on May 14, 1953, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Pursuant to the understanding at the meeting on May 4, 1953, there had been sent to the members of the Board prior to this meeting copies of a draft of statement which might be presented by Chairman Martin at a hearing on May 20 before the Senate Banking and Currency Committee on four bills related to Governmental assistance to business enterprises concerning which the views of the Board had been requested. These bills were: S. 892, introduced by Senator Byrd, which would terminate the existence of the Reconstruction Finance Corporation at the end of 1953 and transfer certain of its functions to other agencies of the Government; S. 1559, introduced by Senator Robertson, which would liberalize the authority of the Federal Reserve Banks under section 13b of the Federal Reserve Act to guarantee business loans; S. 1523, introduced by Senator Thyne, which would set up a Small Business Administration with authority to make loans and provide other assistance to small business concerns; and S. 1771, introduced by

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Senator Frear, which would provide for the organization under State law of private corporations with authority to make loans to, and purchase obligations of small business concerns and to obtain funds for this purpose from the Secretary of the Treasury or through the issuance of bonds guaranteed by the United States. There had also been sent to the members of the Board copies of a memorandum on the financing needs of small business which drew largely upon a staff report submitted by the Board to the Select Committee on Small Business of the Senate last year. It had been suggested at the meeting on May 4 that this paper, in revised form, might be submitted as an appendix to the statement to be presented by Chairman Martin.

Chairman Martin said that at the suggestion of Secretary of the Treasury Humphrey, Mr. Cravens, Administrator of the Reconstruction Finance Corporation, called upon him yesterday and, with Governor Mills and certain members of the Board's staff present, discussed the position which the Administration probably would take at the hearings relative to the above-mentioned bills. Mr. Cravens, he said, outlined a proposal whereby the provisions in the bill introduced by Senator Thye and a similar bill introduced in the House by Representative Hill, Chairman of the Select Committee on Small Business, pursuant to which the Federal Reserve Banks would be authorized and directed to act as

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depositories, custodians, and fiscal agents of the Small Business Administration proposed to be created by these bills would be used as the basis for a plan under which the Reserve Banks would act as agents for the Small Business Administration in the making of small business loans in much the same manner as they now act as fiscal agents of the guaranteeing agencies under the V-loan program. Chairman Martin went on to say that in the discussion with Mr. Cravens it was clearly understood that the Board would be free to testify in any way that it saw fit.

There followed a lengthy discussion of the views which should be expressed by the Board during which Governor Evans stated that he did not agree with certain portions of the draft of statement which was distributed before this meeting, and that he would like to submit substitute language for the consideration of the Board. It was also mentioned that according to word received by the Board's staff, Senator Sparkman, of Alabama, intended to introduce a bill which would provide for the formation of national investment companies, that Senator Flanders, of Vermont, and Senator Douglas, of Illinois, intended to introduce a similar bill which would authorize the establishment of investment corporations to provide credit and capital to businesses, and that these bills would also be before the Senate Banking and Currency Committee at the time of the hearings.

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At the conclusion of the discussion, it was understood that the matter would be discussed further at a meeting of the Board on Monday, May 18, at 2:30 p.m., that the staff would revise the draft of statement to be presented by Chairman Martin in the light of the discussion at this meeting, and that Governor Evans would prepare a statement reflecting his views.

Governor Mills stated that under date of April 28, 1953, a formal contract had been received from the University of Michigan relating to the Ninth Annual Survey of Consumer Finances proposed to be conducted for the Board by the Survey Research Center of the University. He then referred to a memorandum from Mr. Young, Director of the Division of Research and Statistics, dated May 11, 1953, recommending that the Board authorize the Survey, to be conducted in January and February 1954, at a cost of no more than the \$150,000 authorized for the Eighth Survey. The memorandum also recommended that an additional sum of \$10,000 be approved as a provision for contingencies and excess costs of the Ninth Survey, if incurred, this being the same amount provided for similar purposes in connection with the Eighth and earlier Surveys.

Governor Mills said that he concurred in the recommendations contained in Mr. Young's memorandum and that he would recommend that

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the contract be approved in the form submitted by the University of Michigan.

Governor Mills' recommendations were approved, Governor Vardaman voting "no" because, as he had indicated in the past, he did not approve having the Surveys of Consumer Finances made by the Survey Research Center. This action was taken with the understanding that provision would be made in the 1954 budget of the Division of Research and Statistics for the costs involved.

The meeting then adjourned. During the day the following additional actions were taken by the Board with all of the members except Governor Szymczak present:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on May 13, 1953, were approved unanimously.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on May 14, 1953, were approved and the actions recorded therein were ratified unanimously.

Letter to Mr. Davis, First Vice President, Federal Reserve Bank of Philadelphia, reading as follows:

"Reference is made to your letter of May 7, 1953 in which you request the Board's approval of the payment of salaries to five of your employees who are above the maxima of their respective grades.

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"The Board of Governors approves, effective May 16, 1953, the payment of salaries to the following employees at the rates indicated, which exceed the maxima for the grades in which their positions are classified:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
Samuel G. MacTague	Batch Clerk	\$3562
William S. Magee*	Medical Director	4740
Catherine Bellas*	Waitress	1621
L. F. Lohmuller *	Waitress	1621
R. L. McLaughlin*	Waitress	1621

*Part-time employee"

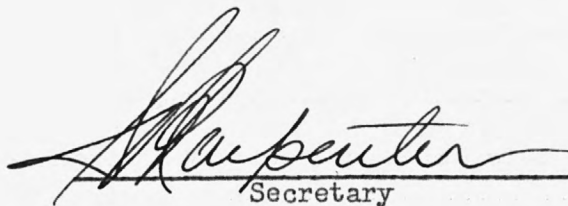
Approved unanimously.

Letter to Mr. Stetzelberger, Vice President, Federal Reserve Bank of Cleveland, reading as follows:

"In accordance with the request contained in your letter of May 11, 1953, the Board approves the appointments of Kenneth J. Terpening and Lawrence A. Yates, at present assistant examiners, as examiners for the Federal Reserve Bank of Cleveland.

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

Approved unanimously.


Secretary