

5/18/53 Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, May 18, 1953. The Board met in the Special Library at 2:30 p.m.

PRESENT: Mr. Martin, Chairman
Mr. Szymczak
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. Leonard, Director, Division of
Bank Operations
Mr. Vest, General Counsel
Mr. Young, Director, Division of
Research and Statistics
Mr. Hackley, Assistant General Counsel
Mr. Cherry, Legislative Counsel

Prior to this meeting there had been sent to the members of the Board a revised draft of statement which might be presented by Chairman Martin before the Senate Banking and Currency Committee on May 20 with regard to four bills related to the provision of Governmental assistance to business enterprises on which the Board had been asked for its views. The revised draft took into account views expressed during a discussion of this matter at the meeting of the Board on May 15. There had also been sent to the members of the Board a draft of a short statement which Chairman Martin might submit to the Committee if called upon for an

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expression as to the use of the Federal Reserve Banks as fiscal agents of some designated Government agency authorized to provide financial assistance to business enterprises.

In commenting upon the draft of statement proposed to be made by Chairman Martin, Mr. Vest said that the situation had now become somewhat more complicated because of the fact that in addition to the four bills on which the Board had previously been asked to report there had now been introduced three other bills which also would be before the Senate Banking and Currency Committee. Two of these bills (S. 1912 and S. 1913) were introduced by Senator Sparkman, of Alabama, and the other (S. 1907) was introduced by Senator Douglas, of Illinois, with Senator Flanders, of Vermont, joining him. Two of the bills would authorize the establishment, possibly with Federal Reserve assistance, of investment corporations which would have authority not only to make loans to small business but to provide equity capital. The third (S. 1912) would provide for the insurance by the Board of Governors of loans by qualified financial institutions to small business enterprises.

Governor Robertson then read the text and distributed copies of a draft of statement which he felt might be used by Chairman Martin in testifying on the proposals for the establishment of investment corporations contained in the bills referred to by Mr. Vest. In addition, Governor Evans read the text of a draft which he had prepared of the testimony which

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Chairman Martin might present. Copies of these statements have been placed in the Board's files.

During a discussion of the several drafts which had been presented, Governor Mills withdrew from the meeting to make plane connections for an out-of-town trip.

At the conclusion of the discussion, Mr. Thurston was requested to prepare a revised draft of statement in the light of the discussion at this meeting, with the understanding that further consideration would be given to the matter at a meeting of the Board tomorrow at 9:30 a.m.

Mr. Hackley stated that he had received a telephone call from Mr. Reeves, of the Bureau of the Budget, who said that the Bureau had received a letter which the Treasury Department proposed to send to the Senate Banking and Currency Committee in which the Treasury took a position in favor of legislation providing for the establishment of a Small Business Administration under a plan whereby the Federal Reserve Banks would act as fiscal agents for that Administration. Mr. Reeves had indicated that the Bureau would like to know, at least informally, in advance of the hearing before the Committee on May 20 what the position of the Board would be.

It was understood that if substantial agreement on a statement to be presented by Chairman Martin was reached tomorrow morning, a copy of the statement would be sent to Mr. Reeves for his information prior to the hearing.

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Governor Vardaman referred to the debate on the floor of the House of Representatives on May 14, 1953, regarding bill H. R. 4605, to provide additional authority for the construction of Federal Reserve Bank branch buildings. He noted that in response to the assertion by Representative Patman that the Federal Reserve Banks were performing check collection operations for member banks without cost to them, Representative Wolcott, Chairman of the Banking and Currency Committee, quoted the portion of the fourteenth paragraph of section 16 of the Federal Reserve Act which states that the Board shall, by rule, fix charges to be collected by member banks from patrons whose checks are cleared through the Federal Reserve Banks and the charge which may be imposed for the service of clearing or collection rendered by the Reserve Banks. Governor Vardaman said he understood that the Board fixed charges to be made upon the member banks for clearing or collection services about 1917, but that these were repealed shortly thereafter and never reinstated. He suggested that it might be desirable for the staff to prepare for the information of the Board a memorandum setting forth the circumstances in connection with the repeal of the charges and stating what free services are supplied by the Reserve Banks to member banks at the present time.

It was understood that the staff would prepare a memorandum covering the points mentioned by Governor Vardaman.

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Before this meeting there had been sent to the members of the Board copies of a memorandum of topics to be discussed at the meeting of the Board with the Federal Advisory Council to be held tomorrow at 10:30 a.m. The matters were discussed and it was agreed that the statements of the Council called for no special comments by the Board of Governors.

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

Minutes of actions taken by the Board of Governors of the Federal Reserve System on May 15, 1953, were approved unanimously.

Order in the matter of Devon-North Town State Bank, Chicago, Illinois, reading as follows:

"UNITED STATES OF AMERICA
Before The

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

In the Matter of :
DEVON-NORTH TOWN STATE BANK :
CHICAGO, ILLINOIS :

ORDER

1. It is hereby ordered that the time within which an answer may be filed herein be, and it is hereby, extended to and including June 2, 1953, and

2. It is further ordered that the time fixed for the Hearing herein be, and it is hereby, changed to 10 A. M., June 16, 1953.

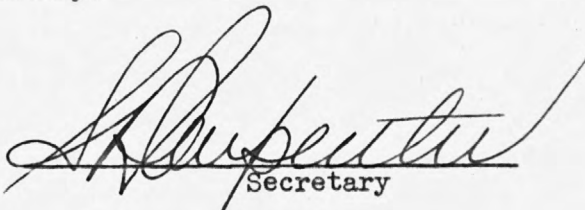
Dated this 18th day of May, 1953.

By the Board.

(SEAL)

(Signed) S. R. Carpenter,
Secretary."

Approved unanimously.


Secretary