

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, September 21, 1953. The Board met in the Board Room at 10:30 a.m.

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

Mr. Carpenter, Secretary  
Mr. Sherman, Assistant Secretary

Governor Vardaman referred to the understanding at the meeting on September 18, 1953 that representatives of the Federal Reserve Banks would be requested to meet in Washington shortly for the purpose of discussing arrangements to be made for the handling of loans under Section 302 of the Defense Production Act of 1950, in the event an executive order should be issued which would provide that upon designation by the Secretary of the Treasury and upon request of the Administrator of General Services Administration, the Federal Reserve Banks would be authorized to act as fiscal agents for General Services Administration in the performance of such functions. Governor Vardaman stated that Mr. Phelan, Vice President of the Federal Reserve Bank of New York, had informed Mr. Boothe, Administrator, Office of Defense Loans, over the telephone on Friday afternoon, September 18, that he had received a call from Deputy Secretary of the Treasury Burgess that day inquiring as to the procedure for having the Federal Reserve Banks act as fiscal agents for the Small Business Administration and that, in the

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course of their conversation, Mr. Burgess had indicated some doubt as to whether the Reserve Banks would be called upon to act as fiscal agents in connection with Section 302 of the Defense Production Act. Governor Vardaman went on to say that in view of the uncertainties in the situation, it had seemed best to defer the contemplated meeting of Federal Reserve Bank representatives and as a result no plans were being made for such a meeting this week.

Chairman Martin stated that a group of bankers representing the Committee on Correspondent Bank Relations of the Association of Reserve City Bankers, including Mr. Sam M. Fleming, Chairman of the Committee and President of the Third National Bank, Nashville, Tennessee, and Mr. George S. Eccles, President, First Security Bank of Utah, N. A., Ogden, Utah, had called on him and Governor Mills this morning for the purpose of discussing a proposal that arrangements be made whereby commercial banks would take over a large volume of Commodity Credit Corporation loans this fall. One of the purposes of the arrangement would be to help relieve the situation with respect to Government borrowings in relation to the \$275 billion statutory debt limit. Chairman Martin said that Mr. Fleming and his group were particularly interested in the question whether, if the banks did take over the loans, they would have access to Federal Reserve discount facilities in the event the banks found themselves in need of such accommodation. Chairman Martin stated he and Governor Mills discussed the general use of

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discount facilities with the group, indicating that each application for credit would be considered on its merits by the Federal Reserve Bank to which it was submitted.

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

Minutes of actions taken by the Board of Governors of the Federal Reserve System on September 18, 1953, were approved unanimously.

Letter to Mr. Sproul, President, Federal Reserve Bank of New York, reading as follows:

Reference is made to your letter of September 3 and the memorandum accompanying it regarding the operations of the Clearing Bureau of the Nassau County Clearing House Association, Inc.

It is noted that the Board of Directors of your Bank has approved an extension until the end of the year of the organization period of three months which will expire on September 30, 1953, and that this means that during that period the Reserve Bank will carry a substantially larger share of the costs of the operations of the Clearing Bureau than if payments were to be made on the basis of \$5 per thousand items cleared, as provided in the agreement. The difficulties inherent in the organization of any such undertaking are recognized but it is assumed that earnest efforts are being made to bring the costs down as soon as possible to a level consistent with efficient operations under normal conditions.

In its letter of December 31, 1952 the Board stated that it was in complete sympathy with the proposal to expedite and improve check collection procedures and to minimize the unnecessary handling of checks by the banking system in general and the Federal Reserve Banks in particular. At that time the

