

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, June 17, 1954. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman  
Mr. Vardaman  
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. Marget, Director, Division of International Finance  
Mr. Sloan, Director, Division of Examinations  
Mr. Solomon, Assistant General Counsel  
Mr. Youngdahl, Assistant Director, Division of Research and Statistics  
Mr. Hostrup, Assistant Director, Division of Examinations  
Mr. Cherry, Legislative Counsel

Chairman Martin stated that in a telephone conversation with Governor Szymczak yesterday Mr. Sproul, President of the Federal Reserve Bank of New York, advised that the Bank was considering sending Vice President Knoke and Mr. Alan Holmes, an economist on the Bank's staff, on a brief trip to England beginning next week to study the procedures and operations of the London gold market, which was reopened in March of this year after about fifteen years of inactivity. Messrs. Knoke and Holmes would return to New York by the middle of July. Chairman Martin also said that, according to President Sproul, the Treasury Department had agreed that it would be helpful to have

6/17/54

-2-

representatives of the Bank go to England for this purpose.

At the request of the Board, Mr. Marget commented briefly on developments since the reopening of the gold market in London. He also expressed the opinion that a trip such as the one mentioned would be definitely worth-while.

The members of the Board present indicated that they would have no objection if the New York Bank should decide to have Messrs. Knoke and Holmes proceed to London for the purpose mentioned, and it was understood that President Sproul would be advised accordingly by telephone.

Mr. Marget then withdrew from the meeting.

Reference was made to a letter addressed to Chairman Martin by Representative Patman under date of June 16, 1954, in which Mr. Patman referred to the transmittal by the Board to the House Banking and Currency Committee on June 14, 1954, of the reports of examination of the twelve Federal Reserve Banks and the reports of examination of the accounts relating to the System open market transactions for the twelve Federal Reserve Banks, for each of the years 1949 through 1953. In his letter, copies of which had been sent to all of the members of the Board prior to this meeting, Mr. Patman discussed the circumstances under which he had asked Chairman Wolcott, of the Banking and Currency Committee, at a meeting of the Committee on June 15, to present for passage by the Committee a resolution

6/17/54

-3-

requesting the General Accounting Office to review the examination reports for the purpose of ascertaining whether they conformed generally to the type and scope of examination which the General Accounting Office would have made if it had conducted the examinations. Mr. Patman's letter also stated that it had been decided by the Committee that Chairman Wolcott would confer with Chairman Martin before proceeding with the matter further, and that this met with his (Mr. Patman's) approval. Referring to Chairman Martin's letter of June 14 to Chairman Wolcott transmitting the reports, Mr. Patman asserted that, if he correctly understood the reading of it, the letter did not contain the whole understanding at the hearing on June 2 before the Committee on Government Operations because he had attempted to make clear before that Committee that he was to have access to the reports, which would include having people he trusted look at them. Congressman Patman concluded by requesting that Chairman Martin advise him of his attitude on this matter.

In view of Governor Vardaman's recent absence, the circumstances surrounding the transmittal of the reports of examination to the House Banking and Currency Committee were reviewed. Governor Vardaman then stated that he agreed fully with the action taken by the Board and said that in his opinion the transmittal of the reports to the Banking and Currency Committee fully discharged the Board's obligation. He suggested, however, that the Board might wish to have

to which the Committee...

6/17/54

-4-

Chairman Martin notify the Chairman of the Senate Banking and Currency Committee that the examination reports had been made available to the House Committee. Governor Vardaman also stated that he would not favor sending the examination reports to the General Accounting Office as proposed in the Patman resolution unless the Senate and the House by bill or resolution indicated that such was the Congressional wish. Governor Vardaman expressed the opinion that legislation enacted and the proposed legislation rejected indicated clearly Congressional intent not to make the Federal Reserve Board subject to the jurisdiction of the General Accounting Office. Governor Vardaman reiterated his previous statements that so long as the Board made every item of System expense and procedure available to both Houses of Congress through proper channels, and so long as the Board followed the practice of independent outside audit by a recognized firm, he was satisfied that the Board was fulfilling its obligations in this respect.

Mr. Cherry said that in transmitting the examination reports to the House Banking and Currency Committee he had at no time made any agreement, or approved any agreement, concerning the disposition of the reports going beyond the terms set forth in Chairman Martin's letter to Chairman Wolcott dated June 14, 1954. Mr. Cherry also said that according to his understanding it was the position of the Banking and Currency Committee that the Chairman of the Committee, Mr. Wolcott, was to confer with Chairman Martin regarding the uses to which the examination reports were to be put.

6/17/54

-5-

During a further discussion of the matter, the members of the Board present expressed agreement that while Chairman Martin should, of course, confer with the Chairman of the House Banking and Currency Committee regarding the examination reports whenever the latter might wish to discuss them, it would not be appropriate to discuss the matter with individual Committee members except pursuant to an understanding with the Chairman of the Committee. Chairman Martin then requested that Mr. Solomon draft a reply to Representative Patman incorporating views stated at this meeting, along with a letter to Chairman Wolcott transmitting a copy of the reply.

Messrs. Sloan and Hostrup then withdrew from the meeting.

Chairman Martin referred to a letter which he had received under date of June 10, 1954, from Mr. Albert M. Cole, Housing and Home Finance Administrator, in which Mr. Cole invited him to attend a meeting at the Lafayette Building on June 18, 1954, to discuss the voluntary home mortgage credit program authorized by the housing bill (H. R. 7839) now in the hands of Senate and House conferees. Also invited to the meeting were representatives of the principal private financing institutions, builders of residential properties, real estate boards, and interested Government agencies. In his letter, Mr. Cole expressed the view that it would be desirable to make as many administrative arrangements as possible in connection with the voluntary program prior to the final adoption of the housing legislation.

Following a statement by Mr. Riefler concerning the purposes

6/17/54

-6-

of the voluntary home mortgage credit program, reference was made to the provision contained in the version of H. R. 7839 reported by the Senate Banking and Currency Committee which would authorize the Housing and Home Finance Administrator to make arrangements with the Chairman of the Board of Governors whereby the regional subcommittees to be established under the voluntary program might meet at the Federal Reserve Banks and have certain staff assistance provided for them by the Banks. The members of the Board present indicated a preference that these provisions be deleted, if possible, and Mr. Cherry, who had been requested at the meeting of the Board on June 7, 1954, to work with the staff of the Senate Banking and Currency Committee with a view to having the provisions eliminated, said he was hopeful on the basis of his conversations with the Committee staff that this could be done.

At the conclusion of the discussion, Mr. Riefler was authorized to attend the meeting on June 18 as the Board's representative, with the understanding that he would make no statement which would in any way commit the Board with respect to the voluntary home mortgage credit program.

The meeting then adjourned. During the day the following additional action was taken by the Board with all of the members except Governor Evans present:

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

6/17/54

-7-

The Board has received through Mr. Clarke a copy of a letter addressed to you under date of June 4, 1954, by Mr. Javier Marquez, Director of the Center for Latin American Monetary Studies, in which Mr. Marquez discusses the possibility of obtaining certain assistance from the Federal Reserve Bank of New York in drafting the agenda for a meeting of technicians on operational controls in central banks. It is understood that the meeting in question would be held in one of the Latin American Republics under the sponsorship of the Center for Latin American Monetary Studies.

Mr. Marquez requests in his letter that the Federal Reserve Bank of New York designate an appropriate person to work with representatives of the Center, the Banco de Mexico, and the Banco Nacional de Cuba in preparing the agenda, at a meeting which would be held in New York during the week of June 28. It is understood, in this connection, that assistance in drafting the agenda would represent the full contemplated participation of the Federal Reserve Bank of New York in this project and that representatives of the Reserve Bank would not expect to participate in the proposed technicians' meeting.

This is to advise that the Board would have no objection to your Bank's assisting the Center for Latin American Monetary Studies to the extent indicated.

Approved unanimously.

  
Secretary