

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, July 12, 1955. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Balderston, Vice Chairman
Mr. Vardaman
Mr. Robertson
Mr. Shepardson

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. Marget, Director, Division of International Finance
Mr. Dembitz, Assistant Director, Division of International Finance
Mr. Cherry, Legislative Counsel
Mr. Solomon, Economist, Division of International Finance

There had been sent to the members of the Board copies of a draft of statement for presentation by Chairman Martin before the Subcommittee on the Federal Reserve System of the Senate Banking and Currency Committee on June 13, 1955, concerning S. 1427, a bill to repeal certain legislation relating to the purchase of silver and for other purposes. The principal effect of the bill would be to eliminate from the law provisions fixing the price (90.5 cents) at which silver is purchased by the Secretary of the Treasury. In line with views stated by the Board on several previous occasions, including those contained in a letter concerning S. 1427 which

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was sent on June 1, 1955, to the Chairman of the Senate Banking and Currency Committee, the draft of statement would take the position that the Federal Reserve System was concerned primarily with the effect upon monetary policy of silver purchases under existing legislation, that such purchases had not complicated problems of monetary management seriously in recent years and the effects could be offset, if necessary, by other operations of the System, but that the purchases were not necessary from the standpoint of monetary policy and the Board therefore would have no interest in the continuance of the existing legislation.

In commenting on the matter, Mr. Marget pointed out that the price of silver in the New York market had risen in recent months, the price at one time in May having reached 90.5 cents an ounce and the most recent quotation being slightly below that figure. He assigned as one reason for the rise in price the fact that foreign silver producers who normally sell to United States purchasers for industrial uses had sold substantial quantities of silver elsewhere. He added the comment that the price was unlikely to rise very much above 90.5 cents, since at that point silver produced in the United States would tend to flow to the industrial market rather than to the Treasury.

There followed a discussion of the role of silver in relation to monetary policy under existing legislation, and one of the questions raised was whether the matter was of enough significance to warrant taking a strong position in favor of repeal of the current silver purchase legislation.

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In response to an inquiry by the Chairman, the members of the Board indicated that they favored a position along the lines of that stated by the Board on various occasions in the past, that is, that it would not be desirable to extend the role of silver in the monetary system and that, although the effects of the present silver purchase laws could be offset, if necessary, by Federal Reserve operations, sound reasons existed for revision of those laws.

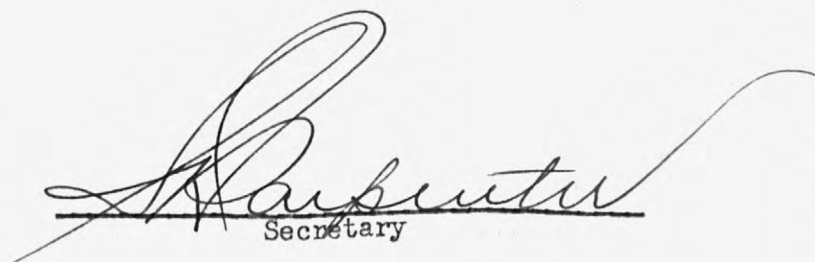
Thereupon, the statement to be made by Chairman Martin was approved unanimously, subject to certain editorial changes suggested at this meeting.

Governor Robertson recommended that in accordance with the usual practice, the Board authorize a reception in the staff dining room on July 14, 1955, for the students attending the current session of the Inter-Agency Bank Examination School, along with a luncheon in the staff dining room on a date to be selected.

This recommendation was approved unanimously.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on July 11, 1955, were approved unanimously.

The meeting then adjourned.


Secretary