



Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, June 10, 1957. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Balderston, Vice Chairman  
 Mr. Szymczak  
 Mr. Vardaman  
 Mr. Mills  
 Mr. Shepardson

Mr. Sherman, Assistant Secretary  
 Mr. Kenyon, Assistant Secretary  
 Mr. Thomas, Economic Adviser to the Board  
 Mr. Young, Director, Division of Research and Statistics  
 Mr. Sloan, Director, Division of Examinations  
 Mr. Hackley, General Counsel  
 Mr. Cherry, Legislative Counsel  
 Mr. Molony, Special Assistant to the Board  
 Mr. Noyes, Adviser, Division of Research and Statistics  
 Mr. Koch, Assistant Director, Division of Research and Statistics  
 Mr. Masters, Associate Director, Division of Examinations

Request from the Joint Economic Committee. Mr. Cherry reported that last Friday he received a telephone call from a staff member of the Joint Economic Committee who stated that Committee Chairman Patman had asked the staff to obtain for him two copies each of (1) the annual report of each Federal Reserve Bank for 1956, (2) regular publications issued by the respective Banks for general distribution since the beginning of the current year, (3) any reports of special studies issued for general distribution during the current year, and (4) any script or written remarks used by officers or employees in conducting tours of the Federal Reserve Banks. After talking with Mr. Thurston, Assistant to the Board, he had suggested this morning that the staff of the Committee write to each Federal Reserve Bank for the material in question.

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In a discussion of the request, the view was expressed that it would be preferable to have the documents assembled at the Board's offices for transmittal to the Committee. Accordingly, it was understood that a telegram would be sent to the Presidents of the Federal Reserve Banks requesting two copies each of the pertinent documents and that Mr. Cherry would advise the staff member of the Committee that this was being done.

In response to questions raised by Governor Vardaman regarding the procedures currently in effect for making available to the Board copies of documents issued by the Federal Reserve Banks, Messrs. Thomas and Noyes reviewed the outstanding instructions in this respect. It was brought out that although, by mutual agreement, drafts of articles intended for use in the monthly reviews of the respective Banks are sent to the Board for informal comments by the Board's staff, the Board took the position several years ago that it was the responsibility of the Reserve Bank Presidents to exercise their judgment on material prepared for publication and to determine whether they desired in any case to have such material reviewed at the Board's offices prior to public release.

Governor Vardaman said that his interest was in making sure that copies of Reserve Bank publications were available in the Board's files rather than in having material reviewed prior to publication. He felt that the content of the publications was properly the responsibility of the respective Reserve Bank Presidents.

Testimony on S.2160. Prior to this meeting there had been

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distributed to the members of the Board copies of a further revised draft of testimony to be given by Vice Chairman Balderston before the Small Business Subcommittee of the Senate Banking and Currency Committee concerning S.2160, which would provide for the establishment of national investment companies. Word had been received from the Subcommittee last Friday concerning postponement of the date on which the testimony would be given and it was now understood that a date some time next week would be fixed.

Mr. Young stated that the latest draft reflected various comments made by members of the Board at the meeting last Friday, June 7, particularly the suggestion by Governor Robertson that it be indicated in the testimony that, if the Congress so desired, the Board would be agreeable to performing certain regulatory, examining, and fiscal agency functions for organizations such as the proposed investment companies, even though it would not favor either the purchase of stock by the Federal Reserve Banks in such institutions or the assignment of management functions to the Board. He pointed out that the draft now referred to chartering, examining, supervisory, and fiscal agency duties, but that the Board might like to give particular consideration to this language. It was hard to distinguish between some of these functions, he said, and the Board's thinking might be more restrictive than indicated in the draft.

Mr. Hackley called attention to the fact that in a letter sent by the Board on February 19, 1957, to the Senate Banking and Currency Committee concerning S.719, an earlier bill providing for the formation of



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national investment companies, the position was taken that responsibility for the regulation and supervision of such companies should be vested in an agency of the Government more primarily concerned with the problems involved in supervising capital financing. The Board had also stated at that time that, since the operations of the investment companies would involve intimate relationships with the commercial banking system, it would be sounder in the public interest if the chartering, examining, and supervisory functions were entrusted to some other organization within the Federal Government.

In an ensuing discussion of this point, agreement was expressed with a revision of the pertinent portion of the draft suggested by Governor Mills which would eliminate specific reference to the functions which might be performed by the Federal Reserve System and would state merely that the Board would not favor either the purchase of stock in such institutions by the Federal Reserve Banks or the assignment to the Board of management functions. This contemplated that if questions should be raised during the hearings, it could be said that lack of explicit comment in the testimony was intended to imply that the Board would be agreeable to provisions calling for the performance of fiscal agency and other ministerial duties by the Federal Reserve System.

Following a detailed review of other parts of the latest draft of testimony, during which several changes were agreed upon in the interest of more precise definition of the Board's position, particular attention was devoted to the paragraphs suggesting the usefulness and possible scope of a further investigation of the small business financing problem.

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Governor Vardaman, who had commented on this matter at the meeting on June 7, reiterated his view that no comprehensive study was needed, that any such study would require too much time to be useful for the purpose of the current Congressional discussion of the subject, that any information and conclusions would therefore have no more than historical value, that the Federal Reserve was not the proper organization to make or even suggest such a study, and that, if the Board had considered a study necessary, it should have taken the initiative and made the survey. He expressed the view that the problem was more in the field of social lending and social policy than in the area of economic policy, and that any comprehensive study should more properly be conducted by an agency such as the Department of Commerce or by a Congressional Committee, with the Board making the System's facilities available as a matter of cooperation.

In a discussion based on Governor Vardaman's comments, reference was made to the letter received from Congressman Patman under date of April 30, 1957, suggesting a loan survey which might throw light on the availability of credit to small business, the letter received at about the same time from the Chairman of the Small Business Credit Commission of the American Bankers Association suggesting a study in the same area, and the Board's decision to establish a System staff group to explore the feasibility of a survey of small business financing problems. Reference was also made to Chairman Martin's report at the meeting on May 24, 1957, concerning his conversation with Chairman Fulbright of the Senate Banking

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and Currency Committee which indicated that the latter would look with favor on such a survey and might take steps to institute a request from the Committee that the Board conduct a study of this kind.

Mr. Young stated that he did not think the small business financing problem was entirely a problem of long-term debt and equity capital, and that it might turn out to be in part a problem of developing lending techniques appropriate to commercial banking that are not widely applied at the present time. If it were found that something could be done by the commercial banking system in extending its techniques of lending to small business, the results of a study would be constructive.

Governor Shepardson suggested that the information obtained from a study of the financing problems confronting small business might also be helpful in relieving the commercial banking system from pressure arising out of charges of inadequate attention to the small business field, and Governor Vardaman responded that this was why he felt any further study should be headed up by others, for he feared that conclusions reached from a Federal Reserve survey would be said to reflect banking opinion.

Governor Mills stated that he shared Governor Vardaman's sentiments to a certain extent. He then called attention to the length of the portion of the draft of testimony devoted to spelling out why a further investigation of the subject might be useful and suggested how a part of this section might be eliminated. This reformulation of the testimony was intended to remove the possible implication that the Federal Reserve was pressing for a study as a delaying tactic, and yet draw attention to the possible benefits of further study in illuminating the general nature of the problem.

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After Governor Vardaman had indicated that the revision proposed by Governor Mills would be more acceptable to him, Governor Shepardson suggested an additional sentence which would emphasize that the suggestion for further study did not represent an effort on the part of the Board to defer the consideration of legislation.

In this connection, it was noted that a bill introduced by Senator Humphrey of Minnesota would provide for an enlarged research staff within the Small Business Administration and for a survey of the small business financing problem by that agency.

At the conclusion of the discussion, unanimous agreement was expressed with testimony in a form reflecting the changes agreed upon at this meeting.

At this point all of the members of the staff withdrew from the meeting and the Board went into executive session.

Appointment of Mr. Masters as Director of Division of Examinations.

The Secretary's Office later was informed by Governor Shepardson that during the executive session the Board, in view of the forthcoming retirement of George S. Sloan, Director of the Division of Examinations, appointed Robert C. Masters, currently Associate Director of the Division of Examinations as Director, to succeed Mr. Sloan with annual salary at the rate of \$16,000, effective July 1, 1957.

The meeting then adjourned.

Secretary's Note: Pursuant to the recommendations contained in memoranda from appropriate individuals concerned, Governor



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Shepardson today approved on behalf of the Board the following actions regarding the Board's staff:

Salary increases, effective June 16, 1957

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
	<u>Legal</u>		
Teresa S. Hutchinson, Stenographer		\$3,670	\$3,755
	<u>Research and Statistics</u>		
Gladys D. Bosben, Draftsman		3,600	3,685
Rita D. Brinley, Clerk-Stenographer		3,670	3,755
Dorothy M. Bujno, Secretary		4,075	4,210
Theodore Flechsig, Economist		5,710	5,845
Evelyn M. Hurley, Economist		4,930	5,440
Kay E. Jones, Clerk-Stenographer		3,260	3,345
Joyce Meyer, Clerk-Stenographer		3,415	3,500
Wilellyn Morelle, Economist		5,845	5,980
Richard C. Pickering, Economist		6,390	6,605
Frances D. Skehan, Clerk		3,500	3,585
Edward P. Snyder, Economist		6,605	6,820
	<u>Bank Operations</u>		
Barbara Joan Wrenn, Statistical Clerk		3,500	3,585
	<u>Examinations</u>		
Patricia R. Faust, Stenographer		3,500	3,585
	<u>Administrative Services</u>		
Helen M. Capozio, Printing Clerk		4,485	4,620
George L. Spencer, Utility Clerk		4,075	4,210
Joan C. Bell, Clerk-Stenographer		3,415	3,500

Acceptance of resignations

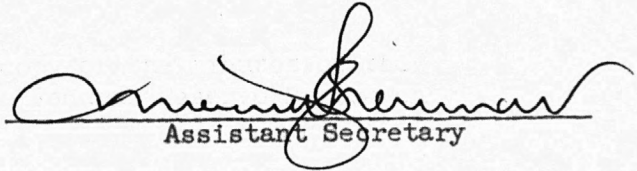
Eugene Clark, Economist, Division of Research and Statistics, effective June 12, 1957.

Walter A. Walter, Assistant Federal Reserve Examiner, Division of Examinations, effective June 25, 1957.

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Governor Shepardson also noted on behalf of the Board that an application for retirement, effective July 1, 1957, had been filed by Harry B. Stone, Personnel Assistant, Division of Personnel Administration.



Assistant Secretary