

Minutes for June 13, 1957

To: Members of the Board

From: Office of the Secretary

Attached is a copy of the minutes of the Board of Governors of the Federal Reserve System on the above date.

It is not proposed to include a statement with respect to any of the entries in this set of minutes in the record of policy actions required to be maintained pursuant to section 10 of the Federal Reserve Act.

Should you have any question with regard to the minutes, it will be appreciated if you will advise the Secretary's Office. Otherwise, if you were present at the meeting, please initial in column A below to indicate that you approve the minutes. If you were not present, please initial in column B below to indicate that you have seen the minutes.

	A	B
Chm. Martin	X <u>M</u>	_____
Gov. Szymczak	X <u>MS</u>	_____
Gov. Vardaman	X <u>CV</u>	_____
Gov. Mills	X <u>AM</u>	_____
Gov. Robertson	X <u>R</u>	_____
Gov. Balderston	X <u>CCB</u>	_____
Gov. Shepardson	X <u>CS</u>	_____

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, June 13, 1957. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Assistant Secretary
 Mr. Kenyon, Assistant Secretary
 Mr. Thurston, Assistant to the Board
 Mr. Riefler, Assistant to the Chairman
 Mr. Hackley, General Counsel
 Mr. Molony, Special Assistant to the Board
 Mr. Noyes, Adviser, Division of Research and Statistics
 Mr. Masters, Associate Director, Division of Examinations
 Mr. Williams, Assistant Director, Division of Research and Statistics
 Mr. Dembitz, Assistant Director, Division of Research and Statistics

Procedures relating to appointment of Federal Reserve Agent's representatives at Federal Reserve Bank of New York. On June 7, 1957, the Board sent a letter to the Chairman and Federal Reserve Agent at the Federal Reserve Bank of New York, with a copy to the President of the Bank, setting forth procedures that should be followed with respect to the appointment of Federal Reserve Agent's representatives in connection with custody of securities in the System Open Market Account.

Governor Balderston stated that, in accordance with the discussion when the Board's letter was approved, he talked by telephone with President Hayes and arranged that Mr. Tiebout, General Counsel for the

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New York Bank, would meet next week with Mr. Hackley and Mr. Goodman, Assistant Director of the Division of Examinations, in the thought that discussion might resolve the questions raised by the New York Bank concerning the changes in procedure that had been requested by the Board. Governor Balderston said he had also made the suggestion to Mr. Hackley and Mr. Goodman that the latter use the occasion of the next examination of the Federal Reserve Bank of New York to review personally the pertinent procedures being followed at the Bank. He added that President Hayes, who would be in Washington next week for a meeting of the Conference of Presidents of the Federal Reserve Banks, might wish to have a conversation with Chairman Martin on this subject.

Operation Alert 1957. Reference was made to the Operation Alert to be held next month and it was stated that the plan this year envisaged one member of the Board going to the relocation site, while the regular business of the Board would continue to be conducted in Washington. In order that appropriate preparations might be made, it was suggested that the designation of the member of the Board who would go to the relocation site be made at this time and that he be given authority to select the members of the Board's staff whose availability at the relocation site would be required.

Pursuant to a suggestion by Chairman Martin, Governor Robertson was designated as the member of the Board to go to the relocation site for Operation Alert 1957, and he was authorized to determine which members of the Board's staff should accompany him.

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Testimony before the Mills Subcommittee. Pursuant to the understanding at the meeting yesterday, there had been distributed to the members of the Board a revised draft of testimony to be given by Chairman Martin tomorrow afternoon before the Subcommittee on Fiscal Policy of the Joint Economic Committee. The content of the revised draft and the arrangement of the material reflected views that had been expressed by the Board at yesterday's meeting.

The revised draft of testimony was deemed acceptable in substance and the comments which were made related principally to editorial changes in the interest of clarification.

At the conclusion of the discussion, unanimous agreement was expressed with testimony in a form taking into account the changes that had been agreed upon at this meeting, and it was understood that the statement would be presented in a final form satisfactory to Chairman Martin.

Mr. Williams then withdrew from the meeting and Messrs. Thomas, Economic Adviser to the Board, and Koch, Assistant Director, Division of Research and Statistics, entered the room.

Testimony on S. 2160. At the meeting on June 10, 1957, the Board tentatively approved testimony to be given before the Small Business Subcommittee of the Senate Banking and Currency Committee regarding S. 2160, a bill to provide for the establishment of national investment companies. It was now understood that the testimony would be presented by Chairman Martin, probably on Wednesday, June 19.

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Governor Vardaman suggested deletion of the last two paragraphs of the statement, dealing with the information which might be obtained from a fresh study of the small business financing problem. In this connection, he expressed again the views that he had stated at previous meetings of the Board when the testimony was being considered; namely, that the Board should not suggest a further study of the problem, that the problem was not one concerned primarily with commercial banking, and that any survey should be made under the direction of the Department of Commerce or the Congress.

In an ensuing discussion, Governor Shepardson expressed the view, as he had previously, that further study of the small business financing problem might well develop techniques that would permit additional extension of credit by commercial banks to small businesses. Therefore, he questioned the accuracy of stating that the problem involved was principally in the nature of a social problem, particularly if it was agreed that "small business" represented a vital part of the national economy.

Agreement was expressed by members of the Board, including Governor Vardaman, that oral discussion at the hearing concerning the need for and possible results of a small business financing survey would be appropriate if questions on those points should be raised. Governor Balderston suggested taking the position that in any study to ascertain the gaps in the small business financing pattern and how they should be filled, the Federal Reserve quite properly might have the responsibility for handling

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the portion of the investigation covering commercial bank lending, while other portions of the study might more appropriately be handled by other agencies.

Governor Robertson said that undoubtedly there was a lack of information in this area, with no existing proof of a serious gap in financing facilities or a general need for any particular kind of financing, and that he therefore would consider it unwise to omit completely the suggestion of need for a study, although, like Governor Vardaman, he would prefer that it be conducted by someone else. For the record, however, he felt it should be made clear that the Board saw a need for a comprehensive study in this area. He then suggested certain alternative language for the paragraphs that Governor Vardaman had proposed be deleted.

With reference to the possibility that Chairman Fulbright of the Senate Banking and Currency Committee might request a study by the Board, Chairman Martin observed that, while the Board should not initiate a study merely on the basis of an individual request, such a request would do no harm if the Board was going to undertake the study anyway. It was his view that the two paragraphs in question, with the revisions suggested by Governor Robertson, should be left in the statement.

The discussion then turned to the question of including in the testimony, as suggested by Governor Robertson at a previous meeting, a positive statement concerning the Board's willingness to undertake certain administrative and similar responsibilities in connection with the organization and operation of national investment companies such as proposed

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in S. 2160. While he recognized that in the bill's present form the functions that the Federal Reserve System might appropriately assume were interwoven with other functions, it was Governor Robertson's view that language could be worked out which would indicate in general the type of activities which could properly be performed by the System.

This point was discussed at some length, with different shades of opinion being expressed by individual members of the Board, and it was finally agreed that the staff would endeavor to work out language which might be generally acceptable for inclusion in another draft of testimony to be considered by the Board at the meeting on Monday, June 17.

Attendance at annual meeting of Bank for International Settlements.

Chairman Martin reported informally on his observations during the recent visit which he and Mr. Riefler made to Basle, Switzerland, to attend the annual meeting of the Bank for International Settlements. With regard to the role of the Bank, he said it was his view at the present time that the Bank's primary function was along the lines of providing a meeting place for European central bankers -- a sort of "open market committee for Europe" -- and that he therefore saw no need for the Board or the New York Reserve Bank to go further at present than to continue their rather casual relationship to the operations and organization of the Bank.

The meeting then adjourned.

Secretary's Note: Governor Shepardson today approved on behalf of the Board a letter to the Federal Reserve Bank of Chicago approving the appointment of

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Donald W. Kelley and Byron J. Loving
as assistant examiners. A copy of the
letter is attached hereto as Item No. 1.

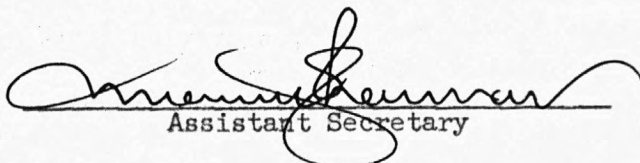
Pursuant to recommendations contained in
memoranda from appropriate individuals
concerned, Governor Shepardson also
approved today on behalf of the Board the
following actions regarding the Board's
staff:

Appointment

Eunice M. Boyd, as Secretary in the Division of Research and
Statistics, with basic annual salary at the rate of \$4,480, effective
the date she assumes her duties.

Salary increase

Doris V. Bubb, Statistical Clerk, Division of Bank Operations,
from \$3,925 to \$4,075 per annum, effective June 16, 1957.


Assistant Secretary

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON 25, D. C.

Item No. 1
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ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 13, 1957



Mr. W. R. Diercks, Vice President,
Federal Reserve Bank of Chicago,
Chicago 90, Illinois.

Dear Mr. Diercks:

In accordance with the requests contained in your letters of June 7, 1957, the Board approves the appointment of Donald W. Kelley and Byron J. Loving as assistant examiners for the Federal Reserve Bank of Chicago. Please advise as to the dates upon which the appointments are made effective.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Assistant Secretary.