

Minutes for July 2, 1957

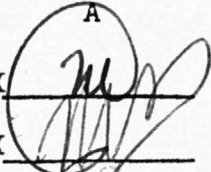
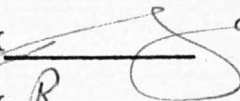
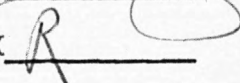
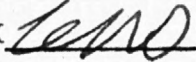
To: Members of the Board

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></u>	_____
Gov. Szymczak	X _____	_____
Gov. Vardaman	X _____	_____
Gov. Mills	X <u></u>	_____
Gov. Robertson	X <u></u>	_____
Gov. Balderston	X <u>CCB</u>	_____
Gov. Shepardson	X <u></u>	_____

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, July 2, 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. Carpenter, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Riefler, Assistant to the Chairman
Mr. Thomas, Economic Adviser to the Board
Mr. Hackley, General Counsel
Mr. Noyes, Adviser, Division of Research and Statistics
Mr. Koch, Assistant Director, Division of Research and Statistics

Request for report on H.R. 8267. In a letter dated June 24, 1957, the Chairman of the House Committee on Government Operations requested the Board's comments on bill H.R. 8267, which would establish a new independent agency, the Consumers Protective Bureau, with responsibility for investigating, studying, and reporting on the factors responsible for inflation and deflation, and also for holding an annual conference of consumers to explore the causes and solutions for inflation. A draft of suggested reply had been distributed to the members of the Board which would express agreement with the broad purposes of the bill but would note that many of the functions to be performed by the proposed new agency would overlap functions now within the jurisdiction of existing Federal agencies. Accordingly, the proposed letter would suggest that the

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establishment of a new agency might involve considerable duplication without effectively accomplishing the purposes which the sponsors of the bill appeared to have in mind.

During a discussion of the matter, it was suggested that the letter be revised in terms of supporting a study by some existing agency, or perhaps by the Congress itself, of the causes of inflation and its effects on consumer welfare. A reply of this kind would indicate agreement with the broad objectives of the bill but would state that the Board did not believe the establishment of a new agency within the Government to accomplish those purposes would be necessary or desirable.

On the basis of this discussion, it was understood that a revised draft of letter to the Committee on Government Operations would be prepared for the Board's consideration.

Questions raised by Senator Clark relating to the credit needs of small business. In a letter addressed to Chairman Martin under date of June 24, 1957, Senator Clark, a member of the Small Business Subcommittee of the Committee on Banking and Currency, referred to Chairman Martin's testimony before the Subcommittee on Thursday, June 20, and asked a series of questions relating to the credit needs of small businesses and the effects of credit and monetary policy. These questions were raised by letter because Senator Clark had had to leave the hearings and was unable to ask them of Chairman Martin at the time. A proposed reply to the Senator had been distributed to the members of the Board prior to this meeting.

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The draft of reply was reviewed by the Board in detail and a number of suggestions were made for changes in the answers to the respective questions.

It was then agreed that a revised draft of letter prepared in the light of this discussion would be distributed for consideration at another meeting of the Board.

Request by Senator Gore for information with regard to open market transactions. Chairman Martin reported receipt of a letter dated July 1, 1957, from Senator Gore, a member of the Finance Committee, requesting information concerning transactions in the System Open Market Account for the week ended June 26, 1957. In his letter Senator Gore expressed appreciation of the fact that information of this kind was not normally made public and indicated that he would keep this in mind in making use of the data.

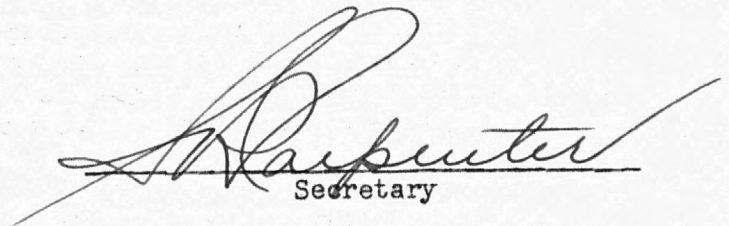
It was the unanimous view that the information should be furnished. Accordingly, Mr. Riefler, as Secretary of the Federal Open Market Committee, was requested to get in touch with the other members of the Committee to inform them of this opinion and ascertain their views. In this connection, it was agreed that the response to Senator Gore should include reference to the fact that in accordance with existing procedures governing the activities of the Federal Open Market Committee, the information was furnished after obtaining the consent of all of the members of the Committee.

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The meeting then adjourned.

Secretary's Note: Pursuant to the suggestion contained in a memorandum dated June 28, 1957, from Mr. Noyes, Adviser, Division of Research and Statistics, Governor Shepardson approved on behalf of the Board a luncheon in the staff dining room on July 11, 1957, for the members of the Summer Research Training Institute.



Secretary