

Minutes for January 16, 1958

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><i>WM</i></u>	_____
Gov. Szymczak	x <u><i>MS</i></u>	_____
Gov. Vardaman <u>1/</u>	_____	x _____
Gov. Mills	x <u><i>[Signature]</i></u>	_____
Gov. Robertson	x <u><i>R</i></u>	_____
Gov. Balderston	x <u><i>CB</i></u>	_____
Gov. Shepardson	_____	x <u><i>Shep</i></u>

1/ In accordance with Governor Shepardson's memorandum of March 8, 1957, these minutes are not being sent to Governor Vardaman for initial.

Minutes of the Board of Governors of the Federal Reserve System on Thursday, January 16, 1958. The Board met in the Board Room at 10:00 a.m.

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

Mr. Carpenter, Secretary  
 Mr. Kenyon, Assistant Secretary  
 Mr. Young, Director, Division of Research and Statistics  
 Mr. Hackley, General Counsel  
 Mr. Young, Assistant Counsel

Report on draft bill to amend the Rural Electrification Act

(Item No. 1). There had been distributed to the members of the Board copies of a memorandum from Mr. Young, Assistant Counsel, dated January 15, 1958, concerning a request from the Bureau of the Budget for the Board's views on a draft bill submitted by the Department of Agriculture which would amend the Rural Electrification Act "to encourage private participation in financing the loan programs, to establish a revolving fund, and for other purposes." The draft bill would add to the present law two new titles, one of which would authorize the Secretary of Agriculture to insure loans made by private lenders which comply with certain stated conditions and the other of which would establish a revolving fund for rural electrification purposes. Submitted with the memorandum was a proposed reply which would state that the Board had no comment to make with respect to the proposed amendments

1/16/58

-2-

since they would not directly affect its credit and monetary responsibilities. The Bureau had requested the Board's views by today.

Mr. Hackley said that a representative of the Budget Bureau who called about the matter yesterday indicated that there was some urgency. The Bureau realized that the Board might not have any comments on the draft bill, but sent the bill to the Board because it involved a credit program and conceivably the Board might wish to express itself. Mr. Hackley also said that in view of the current rate of interest on loans under the Rural Electrification Act there might be some question whether the loans envisaged by the proposed amendments would be attractive to private lenders. However, it appeared probable that the rates would be increased. In a further comment, he said that the loans would be 100 per cent insured so that they would involve no risk on the part of private lenders. This meant in effect that the program would still represent a form of direct Government lending.

In a discussion which followed, agreement was expressed with the view that the proposed reply was the one which should be made. In this connection, Governor Mills recalled that at the last session of Congress rural electrification and college housing loans were singled out for particular attention in connection with consideration of a proposal that the interest rates on loans by Government agencies should be at a level sufficiently high to meet the cost of money to the Treasury. He pointed out that the Board had gone on record in favor of such an arrangement.

1/16/58

-3-

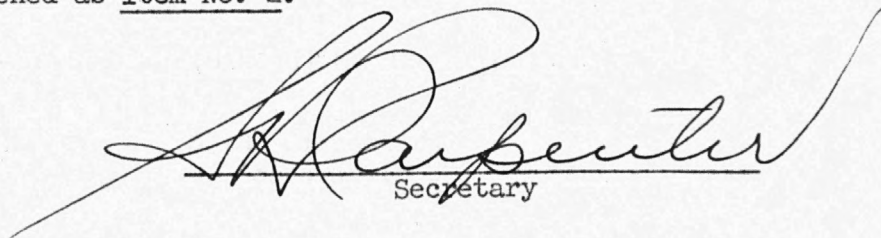
Governor Balderston stated that although he regarded the proposed reply as the proper answer, he was concerned about the extent of obligations incurred by the Federal Government which were not reflected in the budget. He regarded this as properly a matter of primary concern to the Treasury, since it involved a problem of fiscal policy, but he noted that the growth of such a practice tended to make it more difficult for monetary policy to operate effectively.

Following further discussion, unanimous approval was given to the proposed letter to the Budget Bureau. A copy thereof is attached hereto as Item No. 1.

The members of the staff then withdrew and the Board went into executive session.

The meeting then adjourned.

Secretary's Note: Governor Shepardson approved on behalf of the Board on January 15, 1958, a letter to the Federal Reserve Bank of Richmond approving the designation of William H. Tulloh as special assistant examiner. A copy of the letter is attached as Item No. 2.


  
Secretary

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

Item No. 1  
1/16/58

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

January 16, 1958



Mr. Roger W. Jones,  
Assistant Director for  
Legislative Reference,  
Bureau of the Budget,  
Washington 25, D. C.

Dear Mr. Jones:

This is in response to your communication of January 14, 1958, requesting the views of the Board with respect to a draft bill proposed by the Department of Agriculture "To amend the Rural Electrification Act to encourage participation in financing the loan programs, to establish a revolving fund, and for other purposes." The bill would add new Titles III and IV to the present law. Title III would authorize the Secretary of Agriculture to insure loans made by private lenders which bear such rates of interest and comply with such other terms and conditions as the Secretary may prescribe. Title IV would establish a revolving fund for rural electrification purposes.

Since the proposed amendments do not directly affect the Board's credit and monetary responsibilities, the Board has no comment to make with respect to them.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,  
Secretary.

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

Item No. 2  
1/16/58

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

January 15, 1958

Mr. John L. Nosker,  
Assistant Vice President,  
Federal Reserve Bank of Richmond,  
Richmond 13, Virginia.

Dear Mr. Nosker:

In accordance with the request contained in your letter of January 10, 1958, the Board approves the designation of William H. Tulloh as a special assistant examiner for the Federal Reserve Bank of Richmond. Please advise as to the date on which the designation is made effective.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Assistant Secretary.