

Minutes of the Board of Governors of the Federal Reserve System
on Tuesday, February 25, 1958. 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. Carpenter, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Riefler, Assistant to the Chairman
Mr. Thomas, Economic Adviser to the Board
Mr. Leonard, Director, Division of Bank Operations
Mr. Young, Director, Division of Research and
Statistics
Mr. Hackley, General Counsel
Mr. Masters, Director, Division of Examinations
Mr. Horbett, Associate Director, Division of Bank
Operations
Mr. Koch, Associate Adviser, Division of Research
and Statistics
Mr. Collier, Chief, Current Series Section, Division
of Bank Operations
Mr. Brill, Chief, Capital Markets Section, Division
of Research and Statistics
Mr. Young, Assistant Counsel

Mr. H. C. B. Mynors, Deputy Governor of the Bank of England, also
was present at the invitation of the Board as an observer.

Discount rates. Unanimous approval was given to telegrams to the
Federal Reserve Banks of Boston and Atlanta approving the establishment
without change by those Banks on February 24, 1958, of the rates on
discounts and advances in their existing schedules.

Revised all-bank balance sheet statistics (Item No. 1). There
had been distributed to the members of the Board a draft of letter to
the Comptroller of the Currency inviting him to join the Board in

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sponsoring publication of the revised all-bank balance sheet statistics from 1896 to 1955. A draft of preface to the book would be enclosed for his comments and suggestions, and a similar letter would be sent to the Chairman of the Federal Deposit Insurance Corporation.

Following comments by Mr. Horbett on the nature of the statistical compilation and the work that had been involved in preparing the data, certain suggestions were made for changes in the proposed letter and the suggested preface.

Governor Vardaman suggested that inquiry be made of the Government Printing Office regarding the possibility of having the book printed and bound by that Office in addition to asking for bids from private printers, and it was understood that this procedure would be followed.

Thereupon, unanimous approval was given to a letter to the Comptroller of the Currency in the form attached as Item No. 1, and to a similar letter to the Chairman of the Federal Deposit Insurance Corporation.

Messrs. Horbett and Collier then withdrew from the meeting.

Bills to create a Small Business Capital Bank System. There had been distributed to the members of the Board a memorandum from Mr. Walter Young dated February 21, 1958, submitting for the Board's information a summary of S. 3191, introduced by Senator Johnson of Texas, a bill which would create a Small Business Capital Bank System. A companion bill, H. R. 10345, had been introduced by Congressman Patman. The purpose

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of the bills was to make available to small business a source of equity and long-term capital where such capital is not available on reasonable terms from existing private sources. It was understood that the Senate Banking and Currency Committee intended to consider the Johnson bill in a few weeks and that the Board need not respond to the Committee's request for a report until some time prior to consideration of the bill.

At the request of the Board, Messrs. Hackley and Walter Young commented on the purposes and principal provisions of the bills, along with the distinctions between them and the bills introduced in the past which called for the formation of national investment companies.

There followed an informal discussion during which members of the Board presented their tentative thinking on the position which the Board might take with respect to legislation of this kind. In this connection, reference was made to the Board's current study of small business financing problems and Mr. Koch reported on the status of the first two parts of that study. He indicated that it was hoped to start sending some of the material to the members of the Board shortly.

Mr. Young stated that the research staff intended to submit within the next few days a memorandum suggesting a possible line of approach with respect to the small business bills introduced by Messrs. Johnson and Patman.

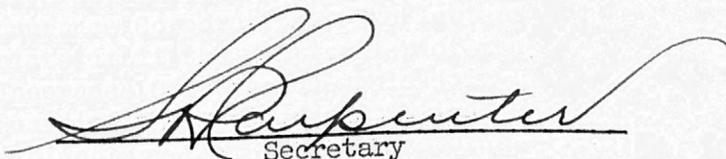
At the Board's request, Governor Mynors then commented informally on the experience of the small business financing organization which was

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established in England in the mid-1940s and in which the Bank of England participated. He also referred to a second organization of similar nature which deals in larger credits. In further comments Mr. Mynors reviewed economic trends in the United Kingdom, particularly since the action in September 1957 to increase the bank rate of the Bank of England from 5 to 7 per cent.

The meeting then adjourned.


Secretary

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON 25, D. C.

Item No. 1
2/25/58

ADDRESS OFFICIAL CORRESPONDENCE
- TO THE BOARD

February 26, 1958

The Honorable Ray M. Gidney,
Comptroller of the Currency,
Washington 25, D. C.

Dear Mr. Gidney:

On August 7, 1952, Governor Robertson wrote to your office on the subject of balance-sheet statistics, by class of bank and by States, which our staff, with the cooperation of your Statistical Division, had reworked for the period 1896-1950. A similar letter was sent to the Federal Deposit Insurance Corporation. The letters stated that the Board would appreciate it if the Comptroller of the Currency and the Federal Deposit Insurance Corporation would join in sponsoring publication by the Board of the revised statistics and accompanying descriptive and explanatory text in the form of a "base book." Sample copies of the statistics and text, for the United States as a whole and for the State of New York, were forwarded to both agencies.

Pursuant to the suggestion made in Governor Robertson's letter, the matter was subsequently discussed informally at a luncheon meeting which included two Board members, Comptroller of the Currency Delano, Chairman Harl and Mr. Cook of the Federal Deposit Insurance Corporation, and members of the respective staffs. While no definite conclusions were reached as to publication and sponsorship, there was general agreement that the proposed book would provide a useful and convenient statistical record of banking in this country, and, therefore, would be of value not only to Federal and State supervisory agencies but also to bankers and students of banking generally.

About a month later, Chairman Martin sent to all State banking departments for suggestions and comment a sample copy of the data for the United States as a whole, a copy of the corresponding data covering the respective States, and descriptive texts. This letter, a copy of which was sent to Mr. Delano on September 11, 1952, stated among other things that the compilations were based mainly on data contained in annual reports of the Comptroller of the Currency and State banking departments and had been made with the cooperation of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Federal Reserve Banks. We received replies or acknowledgments (direct or by way of advice from the Federal Reserve Banks) from nearly all banking departments, though most of them apparently did not

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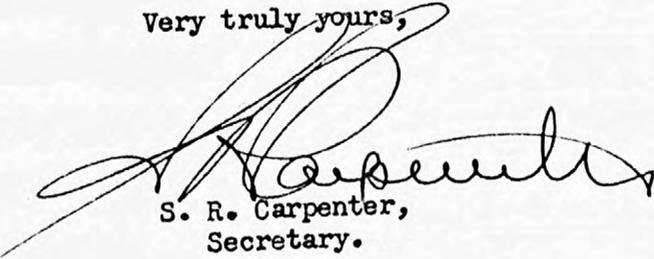
test or review the data.

The preliminary compilations and texts have been revised in the light of our own checking, suggestions as to statistical methodology from the National Bureau of Economic Research, and a detailed review at the Federal Deposit Insurance Corporation of the State bank data, particularly for the years immediately following the 1933 banking holiday. There was no need, of course, of checking the figures covering national banks, since they were based entirely on data published by your office, with some estimating in the earlier years when desired breakdowns of loans, investments, and deposits were not reported. It is understood that your Statistical Division examined or reviewed the material sufficiently to satisfy itself that the revised series had been properly prepared.

The final compilations cover the period 1896-1955, as indicated in the enclosed offset-print copy of the State commercial bank figures for Pennsylvania. All of the statistical compilations are ready for the printer, revised descriptive texts are ready for all States, and the revised descriptive text for the United States as a whole will be completed shortly. We are about to ask for bids for printing and binding the proposed book, which will run to about 1,200 pages.

As stated in Governor Robertson's memorandum of August 7, 1952, to Mr. Delano, we would very much like to include in the preface an appropriate reference to the participation of your office and the Federal Deposit Insurance Corporation. A draft of such a preface is enclosed for your comments and suggestions.

Very truly yours,



S. R. Carpenter,
Secretary.

Enclosures.