

**NOMINATIONS OF DR. ANDREW F. BRIMMER
AND WILLIAM W. SHERRILL**

HEARING
BEFORE THE
COMMITTEE ON BANKING AND CURRENCY
UNITED STATES SENATE
EIGHTY-NINTH CONGRESS
SECOND SESSION
ON
THE NOMINATIONS OF
DR. ANDREW F. BRIMMER, TO BE A MEMBER OF THE BOARD
OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
AND
WILLIAM W. SHERRILL, TO BE A MEMBER OF THE BOARD OF
DIRECTORS OF THE FEDERAL DEPOSIT
INSURANCE CORPORATION

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MARCH 3, 1966
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**NOMINATION OF DR. ANDREW F. BRIMMER TO BE A
MEMBER OF THE BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM AND THE NOMINATION
OF WILLIAM W. SHERRILL TO BE A MEMBER OF THE
BOARD OF DIRECTORS OF THE FEDERAL DEPOSIT
INSURANCE CORPORATION**

WEDNESDAY, MARCH 2, 1966

**U.S. SENATE,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D.C.**

The committee met, pursuant to call, at 10:30 a.m., in room 5302, New Senate Office Building, Senator A. Willis Robertson, chairman, presiding.

Present: Senators Robertson, Sparkman, Douglas, Proxmire, Neuberger, Bennett, Tower, and Thurmond.

The CHAIRMAN. The committee will please come to order.

The meeting has been called this morning to act on several nominations. The first one we will consider is to fill a vacancy on the Federal Reserve Board, the Honorable Andrew F. Brimmer, of Pennsylvania, nominated to be a member of the Board of Governors of the Federal Reserve System for a term of 14 years from February 1, 1966.

We are very happy and proud to see our distinguished colleague from Pennsylvania, Senator Clark, taking his position at the witness table. I assume that he is going to endorse this nomination and give us some cogent reasons as to why we should vote to confirm him.

**STATEMENT OF JOSEPH S. CLARK, U.S. SENATOR FROM THE
STATE OF PENNSYLVANIA**

Senator CLARK. Mr. Chairman, it seems like old times to be back here after the long and happy service I had under your chairmanship while I was a member of this committee.

I am very pleased to introduce Dr. Andrew F. Brimmer. I am sure that many of the members of the committee are familiar with his his work as Assistant Secretary of Commerce for Economic Affairs.

I believe he was confirmed by the Commerce Committee, and he has been serving in that capacity since his confirmation by the Senate in March of 1965.

In that job he has been in charge of the Bureau of the Census and the Office of Business Economics.

Dr. Brimmer has had an extraordinary educational career in the field of money and banking. He received his M.A. from the Uni-

versity of Washington in Seattle where he graduated in March of 1950, almost 16 years ago. He then went to India on a Fulbright scholarship and did research on the economic development of underdeveloped countries at the Delhi School of Economics, at the University of Delhi, and at the University of Bombay.

He then came back to this country and went to Harvard's Littauer School of Public Administration, as well as to the graduate school of arts and sciences. He also did research at MIT in the center for international studies. During that period he was teaching courses, to help him get along in his Ph. D. studies at Harvard in money and banking and principles of economics.

He got his Ph. D. at Harvard in 1957, submitting a dissertation entitled "Monetary Policy, Interest Rates, and the Investment Behavior of Life Insurance Companies." And then subsequently he wrote a book, "Life Insurance Companies in the Capital Market," which was published by the Michigan State University Press.

Beginning in 1955, he worked in the research department of the Federal Reserve Bank of New York for 3 years and for them he traveled to Khartoum, Sudan, as adviser to the Sudan's Government on the setting up of a Sudanese central bank.

He taught at Michigan State for 3 years in money and banking, 1958 to 1961, and then joined the faculty of the University of Pennsylvania, which is why I am here. He is presently a resident and voter in Pennsylvania.

While he was at the Wharton School, which I think is recognized as one of our great financial undergraduate and graduate schools, he taught economic analysis and public policy to graduate students. He then got a leave of absence from Pennsylvania and came down here to Washington first as a Deputy Assistant Secretary of Commerce for Economic Affairs and he was promoted to Assistant Secretary a little over a year ago.

I think this recitation of his career is an adequate summary of his qualifications.

I am happy to commend to the committee a fellow Pennsylvanian.

The CHAIRMAN. Senator, we appreciate your appearing before us. You certainly have given your constituent a fine recommendation which will not go unnoticed by our committee.

We have a letter from Senator Muskie endorsing both the nominees which will be placed in the record at this point.

(The letter follows:)

U.S. SENATE,
COMMITTEE ON BANKING AND CURRENCY,
March 1, 1966.

HON. A. WILLIS ROBERTSON,
Chairman, Banking and Currency Committee,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: I am very sorry that because of a Presidential mission I will not be able to attend the meeting of the Banking and Currency Committee tomorrow to participate in the executive session on the nominations of Andrew F. Brimmer to be a member of the Federal Reserve Board and William W. Sherrill to be a member of the Federal Deposit Insurance Commission. This letter constitutes my proxy to you to vote for confirmation of both nominations.

I believe that both nominations are in the highest tradition of Presidential selections. I am impressed by Mr. Brimmer's work as Assistant Secretary of Commerce and as a responsible and objective economist. I am certain that he will make a substantial contribution to the Federal Reserve Board.

Mr. Sherrill has a unique and broad range of experience with financial institutions. Because of that experience and his energy and imagination I am certain

that he will be a splendid addition to the Board of Directors of the Federal Deposit Insurance Commission.

Sincerely,

EDMUND S. MUSKIE,
U.S. Senator.

The CHAIRMAN. All of us these days are crowded with many missions. I have been testifying before a Commission that is planning a memorial to Woodrow Wilson. At present I have representatives from the American Legion in my office who want me to be identified as a soldier in World War I, which I never deny.

We have another colleague here, the distinguished Senator from Texas, Senator Yarborough, and he has a fine candidate from Texas to tell us about. We don't normally break in on one nomination to hear the second one, but you know the courtesy we do our colleagues, and you have to recognize that we are all under pressure these days. So I will now invite Senator Yarborough and Senator Tower to tell us about the fine points of this nominee, William W. Sherrill, of Texas, to be a member of the Board of Directors of the Federal Deposit Insurance Corporation for a term of 6 years.

Members of the committee may have some questions of Dr. Brimmer later, and maybe for Mr. Sherrill.

We have two Senators here from Texas. You are well endorsed.

I will ask Senator Sparkman to take over. If I can come back soon I will relieve him. He has to hear testimony before the Senate Foreign Relations Committee about what is happening in Vietnam.

STATEMENT OF RALPH W. YARBOROUGH, U.S. SENATOR FROM THE STATE OF TEXAS

Senator YARBOROUGH. Mr. Chairman, we greatly appreciate this courtesy and thank Dr. Brimmer for allowing us to interrupt his examination.

I have been called twice to another committee, at which meeting I am supposed to be. I am glad to have the honor of being here with my colleague from Texas to present jointly with him this very capable man who has been nominated by the President for the position as a member of the Board of Directors of the Federal Deposit Insurance Corporation; that is, Mr. William Sherrill, of Houston, Tex.

He has the necessary academic qualifications, business experience, and knowledge of banking and currency matters to be well qualified for this appointment.

He has been long active in civic affairs in Houston, well educated with a bachelor of business degree in education with honors from the University of Houston, and a master of business with distinction in finance from the Harvard Graduate School of Business Administration.

He was a marine, wounded in combat on Iwo Jima. He has served as administrator of the city court system, as administrative officer of the city of Houston, city treasurer of the city of Houston, up to 1962, and is now president of the Homestead Bank of Houston, Tex.

He has had wide governmental experience and financial experience also.

Senator SPARKMAN (presiding). Thank you.

Senator TOWER?

STATEMENT OF JOHN G. TOWER, U.S. SENATOR FROM THE STATE OF TEXAS

Senator TOWER. Mr. Chairman, I am delighted to join my distinguished colleague in the Senate in recommending favorable consideration of Mr. Sherrill to this committee. I would like to ask consent to place my statement in the record. And I would like to ask that a biographical sketch of Mr. Sherrill be made a part of the record.

Senator SPARKMAN. Without objection.

Senator TOWER. Mr. Sherrill has been one of the outstanding citizens of Houston. Not only in banking but in civic work. His banking background and experience is an excellent recommendation for this job. I am delighted to present him to the committee.

(Senator Tower's prepared statement and the biographical sketch of Mr. Sherrill follow:)

STATEMENT OF JOHN G. TOWER, U.S. SENATOR FROM THE STATE OF TEXAS

Mr. Chairman, I am certainly pleased to welcome and support the nomination of William W. Sherrill, a fellow Texan, to be a member of the Federal Deposit Insurance Corporation Board.

Mr. Sherrill not only has a fine academic background, but also a background of practical banking and business experience.

He has served as president of one of Houston's fine suburban area banks, following several successful years in various important capacities in the city government of Houston. Mr. Sherrill's civic and community efforts are also noteworthy.

As I have said, Mr. Chairman, Bill Sherrill brings with him practical experience which I feel will be most valuable to the FDIC.

I have thought for some time, Mr. Chairman, that academic accomplishments are emphasized too much in nominations of this nature. Thus I am most pleased to endorse this nomination of William Sherrill, who combines both the academic and the practical backgrounds.

BIOGRAPHIC DATA ON WILLIAM W. SHERRILL

Date of birth: August 23, 1926.

Residence: Houston, Tex.

Former positions held: President, Homestead Bank Houston, Tex.; executive vice president, Jamaica Corp., Houston, Tex.

Education: 1950-52. Harvard Graduate School of Business Administration; MBA degree with distinction in finance; 1946-50, University of Houston, BBA degree with honors.

Previous experience: 1958-62, city treasurer, chief administrative officer, executive assistant to mayor, city of Houston; 1956-58, business analyst and real estate development; 1954-56, administrator of city court system, administrative officer of civil defense department, city of Houston; 1947-54, Southwestern Bell Telephone Co., commercial department unit manager.

Military Service: U.S. Marine Corps, 1941-46, Purple Heart, gunshot wound Iwo Jima.

Also: Boy Scouts of America, organization and extension committee; Young Men's Christian Association, youth activities committee; A. F. & A. M., Holland Lodge No. 1; University of Houston, advisory committee to faculty of political science department; alumni association, treasurer and director; outstanding alumnus award, 1955; St. Marks Episcopal Church.

Senator SPARKMAN. Thank you, Senator Tower.

I agree with the statement made by the chairman, that you are well represented here by both Senators, on a bipartisan or nonpartisan basis, whatever you wish to call it.

Do you have a statement that you wish to make, or would you rather have the committee ask questions?

STATEMENT OF WILLIAM W. SHERRILL, NOMINEE

Mr. SHERRILL. I would prefer to have the committee ask questions.

Senator SPARKMAN. Senator Douglas?

Senator DOUGLAS. I have no questions.

Senator SPARKMAN. Senator Bennett?

Senator BENNETT. Mr. Sherrill, I appreciate the fact that you called on me yesterday. Just for the record, I would like to repeat one question I raised yesterday.

You are prepared as a new member of the FDIC, at least as you begin your activities, to carry out the policies that were instituted when Mr. Barr and Mr. Randall joined that Commission?

Mr. SHERRILL. It certainly appears they have done an outstanding job, Senator, and I will definitely bring openmindedness to the board and will try to perform in the best possible way in the public interest.

Senator BENNETT. That is the only question I have.

Senator SPARKMAN. Senator Proxmire?

Senator PROXMIRE. Will we question Dr. Brimmer later?

Senator SPARKMAN. Yes. I am sorry, but I think we can finish very quickly with Mr. Sherrill.

Senator PROXMIRE. I have no questions. I think this is an excellent nomination. I am delighted to see that you are an M.B.A. graduate of Harvard, with finance as your major. This was also my field. It eminently qualifies you.

Mr. SHERRILL. Thank you, Senator.

Senator SPARKMAN. Senator Thurmond?

Senator THURMOND. Mr. Chairman, Mr. Sherrill appears well qualified, and I have no questions.

Mr. SHERRILL. Thank you, Senator.

Senator SPARKMAN. Let me ask a question. Your coming into the FDIC fills it up; doesn't it?

Mr. SHERRILL. Yes, sir.

Senator SPARKMAN. We have had a long gap there; haven't we?

Mr. SHERRILL. Yes, sir.

Senator SPARKMAN. Ever since Mr. Barr went over to the Treasury.

Mr. SHERRILL. That is correct.

Senator SPARKMAN. Do you subscribe to the present policies of the FDIC?

Mr. SHERRILL. I am afraid, Mr. Chairman—

Senator SPARKMAN. A little too broad—

Mr. SHERRILL. I haven't reviewed them in detail. But I definitely will get into them very quickly and I will do my best to see that whatever my actions are, they will be in the public interest and they will be ones that you and the committee will be proud of.

Senator SPARKMAN. Let me ask a question which probably has no bearing on your qualifications. You came by my office, and I am sorry that I was out at the time. There was a notation on the notice of the visit saying that you were a cousin of a very good friend of mine from Alabama.

Mr. SHERRILL. Yes, sir.

Senator SPARKMAN. Do you have an Alabama background?

Mr. SHERRILL. No, sir. The cousins in Alabama have been there since my father's sister moved to Alabama some years back.

Senator SPARKMAN. Any further questions?

Senator PROXMIRE. Could I just ask: You were president of the Homestead Bank in Houston, Tex. I assume that you have completely severed your connections and have filed with the committee any statement of your holdings?

Mr. SHERRILL. I have submitted my resignation to the bank as president and a member of the board of directors. I have arranged for the sale of my bank stock, all except a small part that was acquired recently, and it will be necessary to hold it for 6 months.

I am arranging an irrevocable trust for the children for that share of the bank stock and it will be disposed of at the termination of the 6-month period. I have shown counsel the trust instrument and will show him the final instrument prior to being sworn in.

Senator PROXMIRE. You have no other financial holdings?

Mr. SHERRILL. No, sir. I have sold almost all of my bank stock and will place the remainder of the bank stock in trust so there can be no possible conflict. I will furnish counsel with my statement of holdings.

Senator SPARKMAN. Thank you very much, Mr. Sherrill, and Senator Yarborough.

Senator Tower, you are a member of this committee; do you have any questions?

Senator TOWER. No questions. Thank you very much.

Senator SPARKMAN. Dr. Brimmer, will you come back, please.

Senator Douglas?

Senator DOUGLAS. I think Dr. Brimmer is extraordinarily well qualified for this position. If you look at his biographical material you will see that he has an extraordinary academic preparation and that he has had a lot of practical experience as well. I don't know of any appointment made to the Federal Reserve Board in which the nominee had more technical competence than Dr. Brimmer.

For some time he has been in the Department of Commerce as Deputy Assistant Secretary and as Assistant Secretary for Economic Affairs. I have watched his work there and have met him before. I have been impressed with his knowledge, his accuracy, and with his temperate and guarded statements.

I am not going to ask him questions as to whether he is an expansionist or a contractionist, or whether he is modern or antimodern. But I can say that in my judgment he will be a competent member of the Federal Reserve Board and devoted to the public interest. I think the country has reason to be proud of this appointment.

STATEMENT OF DR. ANDREW F. BRIMMER, NOMINEE

Dr. BRIMMER. Thank you, Senator.

Senator SPARKMAN. Senator Bennett?

Senator BENNETT. Mr. Chairman, we on this committee remember Dr. Brimmer. He has been before us in his responsibilities in the Commerce Department affecting our balance-of-payments problem. I congratulate him on getting away from that one because it is still a problem.

Mr. BRIMMER. Thank you, sir.

Senator BENNETT. Of course you realize, Dr. Brimmer, that under the circumstances in which you go into the Federal Reserve Board, you are going to be very much in the public eye. Any mistake the Board

makes will probably be blamed on you, on the theory that there is a balancing force there now, and either way you move you are going to make somebody angry. So I am sure you are going to be cautious and careful in the decisions that you will make in this sensitive position.

I am very happy to vote for your confirmation.

Dr. BRIMMER. Thank you very much, Senator Bennett.

Senator SPARKMAN. Senator Proxmire?

Senator PROXMIRE. Dr. Brimmer, you are eminently qualified and you have had this fine background in monetary policies. I would like to ask you a few brief questions.

In determining your position on monetary policy, could you give us an idea of what weight you would give these considerations: the level of interest rates; Government fiscal policy; that is, whether it seemed to be contracting or expanding the economy; the attitude expressed by the President and the Secretary of the Treasury; the level of employment and plant capacity; the effect on Government financing and the balance-of-payments situation.

I know this is a very comprehensive question that you could talk endlessly on. Could you give us some notion of your views in this area?

Dr. BRIMMER. I will be glad to do that, Senator. Before I do, let me apologize to the committee for my failure to put in the hands of the committee counsel another statement on my financial situation.

The announcement of my appointment came so fast I haven't been able to do that. I will be glad to do that.

I should say, however, that a year ago I placed such a statement in the hands of the Commerce Committee of the Senate, and the circumstances as described there are unchanged. But I will amend it to keep in tune with the committee's practices. I apologize to the committee.

Senator Proxmire, I would like to say that the agenda you described is the agenda which would clearly have to be before the Board of Governors of the Federal Reserve System. I would want to participate, if you confirm my nomination, in all the Board's activities. I don't hesitate to say that at any particular time I would not want to have a slide rule on which I would assign certain weights to any one of the variables you described and say that that weight is to remain fixed.

I would like to feel that as a member of the Board I was a member of a system, a group of men whose duties are to influence the cost and availability of credit and to do it within the framework of the general economic policy of the country.

I would certainly feel that as a member of the Federal Reserve I would be expected and would want to exercise the greatest degree of discretion and independence of judgment. By this I would mean independence of judgment and discretion within the framework of the Federal Government.

I would like to look upon the Federal Reserve, and I hope I won't do too much injustice and won't appear presumptuous to say that in some sense there may be a close parallel between the duties of the members of the Board of Governors of the Federal Reserve System and the members of a court, in which the court is clearly a part of the

Federal Government structure. I wouldn't visualize this as the Supreme Court, but I would simply say "a court."

I would certainly want to look at the entire framework. It was my impression, while I was in the Federal Reserve as a staff member of the Federal Reserve Bank of New York, it was clearly my impression that the members of the Board of Governors give great weight to economic intelligence, and they give great weight to informed opinions of Government officials as well as of private citizens in the formulation of their views.

It is also my impression that the Federal Reserve Board is fully committed to the maintenance of high levels of employment and that it is fully committed to fighting any kind of aberrations in the private enterprise system insofar as the instruments of monetary policy can contribute to the stabilization and growth of the economy. Included in this source of information, opinions, and consultation would be all of the public officials you named.

I am of course unable to indicate, from where I have been so far, the steps by which the various members of the Board do in fact sit down and coordinate in detail with all the members of the Government you described. It is my general impression that coordination has been good and it has been improved, although this is hearsay and from a distance.

I will do everything I can of course to contribute toward this coordination. At the same time I would want to feel that I would be capable of weighing each one of these considerations as they would come along, with an open mind.

Senator PROXMIRE. You come from a position involving close experience and responsibility for our balance of payments. How significant do you feel the level of interest rates is in our balance-of-payments problem? As I understand it there is a division on the part of the economic experts. Some say that interest differentials are not very significant. Others say they are of great importance and there are times when the balance of payments should be the principal determining factor in monetary policy.

Dr. BRIMMER. Senator, this is the kind of question which, as you indicated, certainly does lead to attempts to classify people and to render strong influence, weak influence, and so forth. I think interest rates influence the balance of payments. They certainly influence short-term capital movements. How much influence I cannot say. I am familiar with various efforts to quantify that effect, to write down a number showing how short-term funds respond to certain percentage changes.

Senator PROXMIRE. Are you familiar with any study which shows that it has a significant effect? I am familiar with two studies which show interest differentials have had no significant effect.

Dr. BRIMMER. I am not familiar with the study that shows they have significant effects. I haven't read the bibliography for quite sometime now. But I would say that the evidence is mixed, and I don't know—I am cautious, I wouldn't say that the evidence is so strong from what evidence I have seen, recalling from some distance in time now, whether they clearly demonstrated that interest rates have no effect on capital movements. Neither do I recall studies which show they have an effect which, for example, might be indicated by a correlation coefficient of one. I think that there is some relation-

ship; I suspect there is some relationship between interest rates and the movements of some components of the balance of payments. And I think perhaps the most promising one would be short-term funds.

Senator PROXMIRE. You don't come on the Board with the feeling that having had this intimate and very responsible association with the balance of payments that monetary policy should be primarily determined on the basis of this one factor?

Dr. BRIMMER. I certainly do not.

Senator PROXMIRE. Do you feel that the domestic economy is of generally greater significance?

Dr. BRIMMER. I am sorry. What was the question?

Senator PROXMIRE. Do you feel that the effect of monetary policy on the domestic economy is generally of greater significance?

Dr. BRIMMER. I certainly do, I certainly do.

Senator PROXMIRE. Do you feel that it would be desirable for you as a member of the Board of Governors to meet regularly with the Council of Economic Advisers, with the Budget Bureau officials, with the people from the Treasury Department? The testimony we received in the Joint Economic Committee is that there is no formal meeting, that Dr. Maisel, who has been on the Board for at least 6 months, has never met with any of these people; Mr. Martin meets regularly, but that other members of the Board have no opportunity to meet with them. Do you think it would be helpful to you if there were some regular method by which you could exchange views?

Dr. BRIMMER. Senator, I do recall that discussion before this committee. I think today the so-called quadriad is meeting at 1 o'clock. Mr. Martin of course is among them. I haven't been long in the Government. I have been here just under 3 years and I haven't kept track of all the ways and means of contacts and coordination.

I have found personally that as Assistant Secretary of Commerce I have had access to the Council, to the Treasury, and to the Bureau of the Budget. I wouldn't necessarily have had access to the Chairman of the Council, nor the Director of the Bureau of the Budget and Secretary of the Treasury and so on, or Chairman of the Federal Reserve, as frequently as I would like.

I wouldn't expect that. My counterparts, their assistants, equivalent to Assistant Secretaries, I found I could reach them.

As to the specific question as to whether the full Board should meet with the other members of the institutions you described, it is a question I would like to reserve judgment on. I don't know. I do not know the extent to which the Chairman meets and keeps in contact with the other members of the Board, and whether that would be sufficient. I would say it would be helpful if all of the Board members make every effort to keep fully informed of the particular directions and changes in basic economic policy and basic economic policy proposals. The exact minimum for doing that I don't know. I haven't been able to focus on it and I wouldn't want to suggest at this point that I have a specific recommendation on how to achieve it.

Senator PROXMIRE. You would feel it desirable if you would have an opportunity to know the views of the Council and the Treasury Department and the Budget Bureau, and would also feel it desirable that you have an opportunity to communicate your views to them?

This two-way aspect is most important. The Governors, some of them at least, have indicated that there is no real opportunity for them to have an influence on fiscal policy. They might be very reluctant to increase the discount rate or to tighten the reserve requirements or to engage in market operations which would restrain the monetary supply.

It is their view that the fiscal policy should be used more energetically and there is no way they can express it. Mr. Martin has the quadripart meetings but he is one of seven—one-seventh of the vote.

Dr. BRIMMER. Again I would be in favor of increasing channels of communication rather than reducing channels of communication. Again, sir, if you don't mind I wouldn't want to try to prescribe an exact mechanism whereby each member of the Board and so on would have access. I am just not enough familiar with the mechanics of how they operate under the present circumstances.

Senator PROXMIRE. Let me ask you a couple of other questions. This is a delicate question, but it would be very helpful to me if I get some idea from it.

Would you care to tell us what weight you would give the position, the influence, the determination, of the Chairman of the Board with regard to your own judgment? Would you give it decisive weight, or would you simply give it careful consideration along with the views of the President, along with the views of other interested and informed persons?

Dr. BRIMMER. Again, Senator Proxmire, I agree with you it is a delicate question, but it is a question.

I would like to feel that I would be a member of an institution. I would like to feel that I would personally want to hold myself open to listen to comments and advice. But I wouldn't feel—and I am certain the committee would appreciate this attitude if I succeed in giving it—I wouldn't want to feel, and I wouldn't want to give the committee the impression, that I would be anybody's man, if I could put it quite so crudely.

I wouldn't want you to feel that I am joining a bloc of some kind, or escaping from a bloc of some kind. I certainly wouldn't want to do that.

I would like to feel that I would be able to exercise a genuine independence of judgment.

Senator PROXMIRE. One more question. I see that you have written an article entitled "Financing the American Consumer." I would like to ask you if you feel there are other methods of restraining demand besides monetary policy that the Federal Reserve Board might consider, particularly the consideration of standby credit controls, so that the President could reduce the period during which installment payments might be made, to increase the downpayment required, whether you think that would be a wise action for Congress to take, to enable the President to have standby controls, not necessarily to put them into effect?

Dr. BRIMMER. Senator Proxmire, I did follow some of the discussion in the mid-1950's, some of the Federal Reserve studies and some of the others. At that time I came away feeling that in addition to the general instruments of monetary policy, some of the so-called specialized instruments—such as controls regulating the maturity and other terms of consumer credit—such as margin requirements for stocks

and so on, some of these specialized instruments of monetary policy were desirable as well as the general instruments.

I do not recall having come out saying that they should be ready on the shelf in a kit, ready to be used at any time possible. I haven't come back to that question until you asked me about it just today.

I would want to think carefully about this. It may very well be that the conditions may develop where a kit would be a handy thing to have. But I wouldn't want to approach the new duties I might take on feeling that this is a commitment, one of the things that I would want to push most.

I think if the opportunity were to arise, I would want to look at the need.

First I do agree that they are desirable instruments, that they can be helpful. As to whether they ought to be prepared in advance and put on the shelf in a library and ready to use is something I wouldn't want to commit myself to just now, if you don't mind.

Senator PROXMIRE. Thank you very much.

Mr. Chairman, I think that the answers of the nominee certainly reflect the observation that Senator Douglas has made. He is a man of temperate, thoughtful, prudent expression.

I would also like to add that he not only has the specific technical background to a superlative degree, but he has a broad background in government as well as in economics, experience working with some of the serious political problems that should affect and do affect economic decisions, which is most encouraging. I think this is a brilliant nomination.

Dr. BRIMMER. Thank you.

Senator SPARKMAN. Senator Tower?

Senator TOWER. No questions.

Senator SPARKMAN. Senator Neuberger?

Senator NEUBERGER. No questions.

Senator SPARKMAN. Senator Thurmond?

Senator THURMOND. I have been impressed with your education and experiences shown in your biographical paper.

Dr. BRIMMER. Thank you, Senator.

Senator THURMOND. You appear to be well qualified to fill this position. I have in mind to ask you a question although you may have answered it already.

I know you are appreciative of the appointment by the President. I was glad to hear you say that you expect to exercise an independence of judgment.

I was also glad to hear you say that you don't expect to be anybody's man. I presume by those statements, which I liked, that you will follow a course that you feel is in the public interest, which is the duty of every person in any public office, any position of trust, and be beholden to no one. I presume that would be your attitude when you assume office?

Dr. BRIMMER. It certainly would be, Senator.

Senator THURMOND. And that you will follow a policy or policies that you feel are for the best interest of the public regardless of who advocates them, or who doesn't advocate them, regardless of the position the administration takes, or anyone else takes. You will follow your conscience and do what is best for the public interest. Is that your position?

Dr. BRIMMER. It is, sir.

Senator THURMOND. In view of that, I will be pleased to support your nomination.

Dr. BRIMMER. Thank you very much, Senator Thurmond.

Senator SPARKMAN. Dr. Brimmer, I would like to ask you first a very few questions. I certainly do not seek a statement from you as to how you stand on any particular item, because that is something to be governed by the circumstances that prevail at the time you have the matter under consideration. But I would like to know if you will be interested in and concerned with some things that I consider to be problems, relating to the action of the Federal Reserve Board.

One has to do with certificates of deposit. I read quite a lengthy and interesting article in the Wall Street Journal about a week ago dealing with certificates of deposit. I am somewhat disturbed with some of the facts brought out there, and I have been from the beginning when the Joint Economic Committee had the hearings with Mr. Martin and the Federal Reserve Board back in December. I was disturbed with it then.

The statement was made by Mr. Martin that he did not feel that small banks and savings and loan associations and mutual savings banks, the agencies that usually rely on ordinary savings to finance their activities, would be adversely affected by the action that the Federal Reserve had taken because the Board did not include ordinary savings in the category on which higher interest rates could be paid.

However, according to this article, and according to information that we had actually at the time of the hearing, banks were issuing certificates of deposit for amounts as low as \$25. Certainly that is getting down into the field of ordinary savings.

According to the article, savings and loan associations, small banks, and mutual savings banks were being adversely affected and badly affected. I don't ask whether or not you have considered that question yet. Certainly in your new position as a member of the Federal Reserve Board it will be a matter for your consideration as an individual member.

Will you give serious consideration to that and to the effect it may have upon some of our small business financial agencies such as small banks, savings banks, and savings and loan associations?

Dr. BRIMMER. I will certainly do that, Senator Sparkman. You are right, I have not been able—with the balance-of-payments situation and other things I have been engaged in—to examine the interrelationship between interest rates on certificates of deposit and other kinds of deposits and the question of competition for savings among institutions. I have not been able to do it. I certainly would want to look into that.

Senator SPARKMAN. It was suggested a while ago you are going to be free of the balance-of-payments question down at the Federal Reserve Board, but I don't believe you will be free from that worry.

Dr. BRIMMER. I wouldn't think so, Senator.

Senator SPARKMAN. I think you will still have that burden on your shoulders. But just don't let it consume your time to the extent that you are not able to consider these smaller institutions.

Dr. BRIMMER. I will not.

Senator SPARKMAN. A little more than 10 years ago we had Mr. Martin before this committee. The Senator from Illinois, Senator

Douglas, asked him a very pertinent question, and that was as to the status of the Federal Reserve Board, as to whom it was responsible—the Executive or the Congress. Mr. Martin answered that question in this way:

The Federal Reserve Board is an agency of the Congress.

And he also said:

It is responsible to Congress.

Do you agree with that statement?

Dr. BRIMMER. I agree with both statements, sir.

Senator SPARKMAN. I think I have no further questions. Does anyone else?

If not, thank you very much. We appreciate your appearance here, and your answers to our questions.

Dr. BRIMMER. Thank you very much, Senator.

Senator SPARKMAN. Dr. Brimmer's biographical sketch will go in the record at this point.

(The biographical sketch follows:)

BIOGRAPHY OF ANDREW F. BRIMMER

Dr. Andrew F. Brimmer was nominated Assistant Secretary for Economic Affairs, U.S. Department of Commerce, by President Johnson on January 29, 1965, and his nomination was confirmed by the U.S. Senate on March 17, 1965. Secretary John T. Connor administered the oath of office on March 23, 1965.

Personal data: Born in Newellton, La., on September 13, 1926; moved to Bremerton, Wash., at the age of 17; married Doris Millicent Scott of New York City in 1953; they have one 3-year-old daughter, Esther Diane.

Military service: Dr. Brimmer served in the U.S. Army between May 1945 and November 1946; about a year of this time was spent overseas. He was discharged as a staff sergeant.

Education: Attended the University of Washington, Seattle, Wash., January 1947 to June 1951, receiving his B.A. in 1950 and his M.A. in 1951, both in economics; Fulbright fellow in India, 1951 to 1952; attended Harvard University, 1952-55, and received a Ph. D. in 1957, concentrating in monetary economics, employment theory, and international trade and economic development.

Experience: While doing graduate work, he held a number of fellowships and assistantships at the University of Washington, Harvard University, and the Massachusetts Institute of Technology. From June 1955 through August 1958, he was an economist with the Federal Reserve Bank of New York. In 1956-57 he served on a three-man mission to advise the Sudan Government on the establishment of a central bank. From September 1958 to June 1961, Dr. Brimmer was assistant professor of economics at Michigan State University. He has also taught at the University of California (Berkeley) and the City College of the City University of New York. In July 1961, he joined the Wharton School of Finance and Commerce, University of Pennsylvania. He has been on leave of absence since May 1963, when he was appointed Deputy Assistant Secretary for Economic Affairs, in the U.S. Department of Commerce.

Presented the Arthur S. Flemming Award February 17 as one of the 10 outstanding young men in Government service. Cited for general excellence during his tenure as Assistant Secretary and, in particular, for superior performance in supervising the voluntary business balance-of-payments program.

PRINCIPAL PUBLICATIONS

Books, monographs, and reports

"Survey of Mutual Fund Investors" (with Arthur M. Freedman), Securities and Exchange Commission, 1963, 358 pages.

"Life Insurance Companies in the Capital Market," East Lansing: Bureau of Business and Economic Research, Michigan State University, May 1962, 394 pages.

"Preliminary Report on the Organization and Functions of a Central Bank for the Sudan" (with Oliver Wheeler and Alan Holmes), Khartoum: Ministry of Finance and Economics, February 1957, memorandum, 130 pages.

"The Framework of Industrial Organization in India," Cambridge, Center for International Studies, MIT, 1954, 35 pages.

Journal articles

"The Setting of Entrepreneurship in India," *Quarterly Journal of Economics*, November 1955, pages 553-576.

"Industrial Change in India: A Review Article," *Economic Development and Cultural Change*, January 1960, pages 214-221.

"Banking and Finance in the Sudan," *the South African Journal of Economics*, March 1960, pages 23-34.

"Financing the American Consumer: The Growing Role of the Banks," *the Banker*, August 1960, pages 514-520.

"Credit Conditions and Price Determination in the Corporate Bond Market," *Journal of Finance*, September 1960, pages 353-370.

"Foreign Banking Institutions in the U.S. Money Market," *the Review of Economics and Statistics*, February 1962, pages 76-81.

"Price Determination in the U.S. Treasury Bill Market," *the Review of Economics and Statistics*, May 1962, pages 178-183.

Senator SPARKMAN. The committee will now go into executive session. We will ask all of those not members of the committee or the committee staff to clear the room.

(Whereupon, at 11:14 a.m., the committee went into executive session.)

