FEDERAL RESERVE DISCOUNT MECHANISM

WEDNESDAY, SEPTEMBER 11, 1968

CONGRESS OF THE UNITED STATES,
JOINT ECONOMIC COMMITTEE,
Washington, D.C.

The committee met at 10 a.m., pursuant to notice, in room S-407, the Capitol, Hon. William Proxmire (chairman of the joint committee) presiding.

Present: Senator Proxmire; and Representatives Reuss and Brock.

Also present: John R. Stark, executive director; John R. Karlik, economist, and Douglas C. Frechtling, minority economist.

Chairman PROXMIRE. The committee will come to order.

In opening these Joint Economic Committee hearings, I would like to observe that they are in line with this committee's considerable interest in economic policy. Our subject this morning concerns the recent report, sponsored by the Board of Governors, setting forth a proposed revision in the Federal Reserve discount practices. As I have indicated before, it would have important consequences for the nonbanking financial institutions, particularly savings and loan companies and mutual savings banks. Our purpose this morning and in a sequel hearing next week is to attempt to assess exactly what significance these changes would have if adopted.

We have with us today Gov. George Mitchell who has been the Chairman of the Intra-System Committee on Reappraisal of the Fed- Reserve Discount Mechanism. Other members of the committee ...l:

Gov. Sherman J. Maisel; Gov. William W. Sherrill; President R. Bopp, Philadelphia; President Edward A. Wayne, Richmond; President Charles J. Scanlon, Chicago; President George Clay, Kansas City; and Chairman William McC. Martin, ex officio.

Governor Mitchell, in a moment I am going to ask you to summarize explain to us the rationale and implications of your report. First, , I would like to turn to a different subject; namely, this com- report setting forth standards for guiding monetary action requested certain reports from the Federal Reserve Board to committee. There has been correspondence between Chairman and me since that time, the most recent letter being Chairman of September 9. There has been a good deal of press interest mmittee's reaction to the Chairman's letter, and I would there- like to take this occasion to say that I have just dispatched a to Mr. Martin, and I am releasing it to the press now. Since t, I will read it here: