

and suggestions of numerous academic scholars; several leading economists have contributed analytical papers on one question or another related to the discounting area; and the Board has scheduled two different seminars with a number of professors of economics at which ideas on this subject could be profitably exchanged.

I can assure you that the views expressed in these hearings also will be taken into account by the Board.

As we now see it, the shape of the proposal under consideration can be encompassed within the framework of existing legislation. It may be, however, that certain aspects of the studies and of comments received might make it desirable for the Board to request some amendments in the language of certain governing statutes in order to permit the revised discount mechanism to be as effective as possible. As you know, the Federal Reserve has already proposed a bill—S. 966—popularly termed the “eligible paper” bill—which would make certain changes in the provisions of the Federal Reserve Act relating specifically to lending to member banks. It would seem likely that most, if not all, of the changes suggested by our studies could be encompassed by the language in that bill. Of course, neither the eventual changes which might be made in the mechanism nor any resultant need for legislation can be finally settled at this stage, but at a somewhat later date we may need to address a communication to the Congress regarding the pending, or possibly additional, amendments to the statute.

All of us involved in this reappraisal recognize that, even after any of the suggested changes were introduced, a period of transition would undoubtedly be required before the full potential of the discount mechanism could be realized either by the Federal Reserve or the member banks. However, I believe that there is a good possibility that this redesign can bring this mechanism in closer touch with the prevailing economic climate and lead to a more effectively functioning banking system that is better equipped to serve evolving needs of the community.

(The table appended to the statement follows:)