

Mr. Ecker

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

MEMORANDUM

December 28, 1948

To: Board of Governors

From: Ralph A. Young and Frederic Solomon

The technical meeting held at the offices of the Council of Economic Advisers on Friday, December 24, was a preliminary discussion session to consider a draft of a proposed bill, entitled the "Stabilization Act of 1949". Attendance included staff representatives of selected executive departments and independent agencies. A second meeting for the purpose of a line-by-line discussion of the bill's contents and provisions was announced for Thursday morning, December 30.

It was emphasized that this meeting was a purely technical discussion and that none of the major provisions of the proposed bill had received Administration or agency approval at a policy level. It was also emphasized that the purpose of the technical meetings was to assure that adequate preparatory work had been done in the event that an Administration decision was reached to support legislation along the lines of the draft.

Questions presented to the Board

As the attached summary of the bill shows, this proposed legislation raises two major questions for the Board. The first is one of tactics with regard to the Board's own legislative proposals. Should either the consumer credit legislation or the bank reserves legislation or both be contained in an omnibus bill of this type? Although entitled a stabilization bill, the emphasis is "emergency" and "combatting inflation". The Board's emphasis is on long-term stability and on maintenance of sound credit conditions.

The second issue relates to the attitude which the Board should take towards the broad (and apparently permanent) powers of direction and coordination which the bill would specifically authorize the President to exercise over Government agencies.

Attachment

Summary of Proposed "Stabilization Act of 1949"

The draft bill, which follows the pattern of the Barkley Bill (S,2910) introduced into the Special Session of Congress last July, is divided into 7 Titles, as follows:

Title I - statement of policy--has more of an "emergency" and "inflation" setting than contemplated by drafts of credit legislation on which the Board's staff has been working.

Title I also contains broad powers in the President to "issue such rules, regulations and orders as he may deem necessary to carry out the provisions of this act", and a sweeping directive to him to "coordinate the activities [of any and all Federal agencies] as he may deem necessary to provide for the exercise of their power in a manner to assist in accomplishing the objectives of this Act." These powers are apparently to be permanent.

Title II contains the Board's draft of consumer credit legislation with space provided for bank reserves legislation.

Title III provides for assistance to private enterprise to promote supply, production, or productivity in fields where there are critical shortages.

Title IV provides for voluntary allocations.

Title V provides for stand-by compulsory priorities and allocations.

Title VI provides for price controls, largely on a stand-by basis, and for wage controls which apparently are limited to those areas where price controls are in effect.

Title VII amends the Commodity Exchange Act chiefly by authorizing the Secretary of Agriculture to prescribe margin requirements for trading in commodity futures.