

RELATIONS OF FEDERAL RESERVE SYSTEM WITH NATIONAL  
ADVISORY COUNCIL AND ADVISORY BOARD OF  
EXPORT-IMPORT BANK

Under recently enacted legislation, the Chairman of the Board of Governors of the Federal Reserve System is made a member of the National Advisory Council on International Monetary and Financial Problems created by the Bretton Woods Agreements Act, and likewise a member of the newly-established Advisory Board to the Export-Import Bank. As a result, the Federal Reserve System indirectly will have new responsibilities and powers in the field of foreign financial operations.

Both the National Advisory Council and the Advisory Board consist of the same Government officials. In addition to the Chairman of the Board of Governors, those officials are the Secretary of State, the Secretary of the Treasury, the Secretary of Commerce, and the Chairman of the Board of Directors of the Export-Import Bank. The Secretary of the Treasury serves as Chairman of the National Advisory Council; and the Chairman of the Board of Directors of Export-Import Bank is Chairman of the Advisory Board.

NATIONAL ADVISORY COUNCIL

Responsibilities.

The membership of the Chairman of the Board of Governors of the Federal Reserve System on the National Advisory Council means, in effect, that he will share in the exercise of the important powers conferred by the law upon the Council. Those powers are in fact responsibilities, for the language of the statute is mandatory. Briefly stated, the Council is required:

- (1) To recommend general policy directives to the President for the guidance of the United States representatives on the International Fund and the International Bank;
- (2) To advise and consult with the President and the United States representatives with respect to major problems arising in the administration of the Fund and Bank;
- (3) To coordinate the policies and operations of the United States representatives on the Fund and the Bank, and of the

Export-Import Bank and all other agencies of the Government to the extent that they make or participate in the making of foreign loans or engage in foreign financial, exchange or monetary transactions;

(4) To decide, under the general direction of the President, whether or not the approval, consent, or agreement of the United States shall be given or refused in those cases where the Articles of Agreement of the Fund and of the Bank require such approval, consent, or agreement on the part of the United States (except where such decision must be made by Congress), and also to give its prior approval to certain actions which may be taken by the United States representatives.

(5) To make reports to the President and to Congress, including periodical reports at least every six months, special reports of the kind hereafter described, and such other reports as the President may request or the Council may consider necessary.

The key to the Council's functions lies in the opening words of the section of the statute which establishes the Council: "In order to coordinate \*\*\* ." The law requires that the Council "shall coordinate, by consultation or otherwise," the policies and operations, not only of the American representatives on the Fund and Bank, but also those of all agencies of the Government to the extent that they participate in foreign financial, exchange or monetary transactions. Clearly, therefore, it is the duty of the Council to harmonize the foreign financial policies of all Government agencies as among themselves. The language of the law suggests that this coordination will be accomplished principally through consultation; but presumably if the policies of any particular Government agency are at variance with those of other agencies, the Council would have the power, if not the duty, to make remedial recommendations to the President.

Of equal importance is the Council's obligation to make special reports with respect to the operations of the Fund and the Bank. The first of such reports is required to be made not less than two years after the establishment of those organizations; and similar reports must be made every two years thereafter. Each of these reports is required to cover and include:

(1) The extent to which the Fund and Bank have achieved the purposes for which they were established;

(2) The extent to which their operations and policies have adhered to, or departed from, the policy directives of the Council, and the Council's recommendations in connection therewith;

(3) The extent to which such operations and policies have been coordinated, and the Council's recommendations;

(4) Recommendations as to whether the resources of the Fund and Bank should be increased or decreased;

(5) Recommendations as to how the Fund and Bank may be made more effective;

(6) Recommendations as to any other necessary or desirable changes in the Articles of Agreement or in the statute; and

(7) An over-all appraisal of the extent to which the Fund and Bank have served, and in the future may be expected to serve, the interests of the United States and the world in promoting sound international economic cooperation and furthering world security.

Obviously, the Council's duty to report on the above matters and to make recommendations with respect to them is a responsibility of the greatest importance. It involves more than a simple reporting of facts. It means that the Council will be expected to keep itself informed with respect to all aspects of international finance and to appraise and evaluate, for the benefit of Congress, all developments in that field.

In practice, of course, the extent to which the Council will undertake to carry out the responsibilities imposed upon it by Congress will depend in some measure upon the attitude which is taken by the individual members of the Council. Conceivably, the Council might see fit to limit its activities to occasional broad statements of policy, infrequent meetings with the American representatives, and perfunctory reports to Congress. On the other hand, it is clear that the Council is charged by the law with duties and responsibilities which should not be taken lightly; and it is to be expected that the members of the Council will so regard them.

#### Participation of the Chairman of the Board.

In participating in meetings of the Council, it is assumed that the Chairman of the Board of Governors will be required to share in the exercise of the Council's broad functions, whether or not they directly affect the Board of Governors. In addition, however, in his capacity as Chairman of the Board, he will doubtless consider any questions which arise before the Council in the light of the policies followed by the Board of Governors with respect to credit conditions, open-market operations, and foreign financial transactions. For example, he

would be especially interested in any recommendations affecting international transactions to the extent that they might affect domestic reserves and credit and banking conditions in this country. Conversely, he would also consider the effect of the Board's policies in so far as they relate to the foreign financial policies of other agencies of the Government and to policy recommendations formulated by the Council.

#### Alternates.

While the statute does not provide for the appointment of alternates by members of the Advisory Council, it is understood that officials of the Treasury Department believe that each member will have the right to designate an official from his agency to act as his alternate and to serve in his place in the event of his absence. However, while such alternates might, of course, attend meetings of the Council and participate in discussions, there is some doubt as to whether they would be legally entitled to vote. In this connection, it is significant that a number of Federal statutes specifically provide for the naming of alternates for members of statutory committees and, as a case directly in point, the Export-Import Bank Act of 1945 expressly provides that the Secretary of State may designate any officer of his department appointed by and with the advice and consent of the Senate to act as his alternate in his capacity as a member of the Board of Directors of Export-Import Bank.

#### Meetings.

Although the International Fund and Bank themselves may not come into existence for several months, the Advisory Council already has statutory existence and presumably will hold a number of meetings before the international institutions are actually established. It is to be expected, for example, that the Council will make preliminary studies with respect to organizational problems.

While the law is silent on the question, it is assumed that meetings of the Council will be called by the Secretary of the Treasury in his capacity as Chairman. Likewise, it is assumed that the Council will observe the usual rule with respect to the necessity of a quorum and that it will not undertake to act unless a majority of its members are present.

#### Staff.

In view of the important responsibilities placed upon the Council, it seems apparent that the members of the Council necessarily must keep

themselves informed with respect to the current operations and policies of the International Fund and the International Bank and with respect to both domestic and international financial matters generally. To this end, it is to be expected that the Chairman of the Board of Governors will utilize the technical assistance of the members of the Board's staff. In addition, however, the Council itself will probably organize a sub-committee consisting of technical personnel from each of the agencies represented on the Council in order that continuous contacts may be maintained, that appropriate studies may be made, and that the required reports may be prepared.

#### Relations with Federal Reserve System.

Aside from the membership of the Chairman of the Board of Governors on the National Advisory Council, there are two other respects in which the Council and the Federal Reserve System may be related.

In the first place, as previously indicated, the Council is required to "coordinate" the policies and operations of those agencies of the Government which make or participate in the making of foreign loans or which engage in foreign financial, exchange or monetary transactions. The Board, of course, does not itself engage in such transactions. While the Federal Reserve Banks do participate in foreign financial transactions, it might be argued that they are not "agencies of the Government" within the meaning of the law. However, it is to be borne in mind that the transactions of the Federal Reserve Banks in the foreign field are subject to supervision and regulation by the Board of Governors and, in some instances, to its formal approval. Moreover, in a general way, the Board, the Reserve Banks, and the Federal Open Market Committee can be considered as a single governmental entity comparable to the central banks of other countries. Accordingly, and considering the broad purposes of the Bretton Woods Agreements Act, the Board and the Reserve Banks may be regarded as agencies of the Government within the meaning of that Act. In any event, it is assumed that the Federal Reserve System will cooperate with the Council and other agencies of the Government in this respect and will conform with policy directives recommended by the Council.

Similarly, the law requires all agencies of the Government which participate in foreign financial, exchange or monetary transactions to keep the Council fully informed of their activities and to provide the Council with such further information or data as the Council may deem necessary to the appropriate discharge of its responsibilities. Again, it is to be expected that the Board and the Federal Reserve Banks will furnish to the Council such available information as might be helpful to it in discharging its duties under the law.

In the first place, as previously indicated, the Council is required to "coordinate" the policies and operations of the agencies of the Government which make or participate in the making of foreign loans or which make or engage in foreign financial, exchange or monetary transactions. While it may be argued that the Federal Reserve Banks are not "agencies of the Government" as such, it is to be borne in mind that the transactions of the Federal Reserve Banks in the foreign field are subject to the supervision of the Board of Governors and in some instances must have its formal approval. Moreover, the Banks and the Board can act only in accordance with authority granted to them by Congress, which has also placed upon them certain specific responsibilities for carrying out the purposes of the Bretton Woods legislation. Therefore, they may properly be regarded as coming within the intent of the coordinating powers of the Council, and it is clear that they should cooperate with the Council to the fullest extent possible under their powers.

## ADVISORY BOARD OF EXPORT-IMPORT BANK

The newly-established Advisory Board to the Export-Import Bank, as previously indicated, is composed of the same officials as those who comprise the National Advisory Council. Unlike the Council, however, the Advisory Board is not charged with specific powers and duties. The law provides merely that the Advisory Board may make such recommendations to the Board of Directors of Export-Import Bank as it deems advisable and that the Board of Directors shall consult the Advisory Board on major questions of policy.

As a member of the Advisory Board, the Chairman of the Board of Governors of the Federal Reserve System presumably will consider any questions which may arise before the Advisory Board in the light of the policies of the Board of Governors with respect to credit conditions and international financial operations. The timing, volume, and terms of the foreign lending activities of Export-Import Bank may have direct effects upon the domestic economy.

It is questionable how active and influential the Advisory Board, as such, may become in determining the policies of Export-Import Bank, particularly since the same officials will be members of the National Advisory Council and since the Council appears to have broader and more definite powers than the Advisory Board in controlling the policies of the Bank. In any event, however, it is believed that the Chairman of the Board of Governors, as a member of the two bodies, will need to be familiar with the current operations of Export-Import Bank, especially as they affect Federal Reserve policies, and that he will require technical assistance from members of the staff of the Board of Governors.