

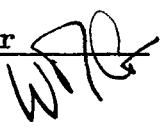
BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date June 12, 1946

To Chairman Eccles

Subject: NAC matters of some importance

From Walter R. Gardner 

I think you should be informed of a couple of matters that came up during or immediately after yesterday's meeting of the NAC Staff Committee.

No Export-Import Bank request this year
for an additional \$1,250 million?

Gus Maffry told me after the meeting that the Export-Import Bank people felt that, if they requested additional funds of Congress at the present time, they would be left holding the bag. They thought the other NAC agencies would not actively come to their support. Therefore he doubted very much if the Export-Import Bank would make any request this year. It would get along as best it could on its present resources.

Requests of United States directors on
Fund and Bank for NAC policy guidance

As you know both Harry White and Pete Collado have submitted to the NAC brief reports on developments in their institutions. White's report is pretty routine. Nothing is said about the issues. Collado goes much farther. He discusses issues and asks for policy guidance on them from the NAC. The NAC has turned the documents over to the staff group for their analysis and comments.

At yesterday's meeting of the staff group it was clear that the Treasury people were troubled by these requests for policy guidance by Collado. Although they did not say so outright, it was apparent that what was bothering them was that Collado was setting a precedent which, if established, would have to be followed by White. They took the position that policy guidance was premature and might impede free discussion among the directors of the Fund and the Bank.

The staff people of most of the other NAC agencies felt that Collado was pursuing the right course in letting the NAC know what were the live issues and seeking its reactions. They believed it was up to the NAC top group to discuss such questions with the directors. The NAC might reach certain tentative conclusions but would undoubtedly not wish to tie the hands of the directors. Even a directive might be tentative pending a report on the views of the foreign directors. The real purpose was to enable the American directors to keep actively in touch with the NAC and to be sure they were moving along together on the issues involved. In any case the requests for policy guidance had been made and referred to the staff; and it was up to the staff group to submit recommendations to the NAC top group.

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The Treasury staff people appeared to be somewhat impressed by this position; but they wanted to have a recommendation prepared on procedure before making any recommendations on the particular problems raised by Collado. To this the staff group agreed; and such a recommendation will be prepared by the Treasury and checked with the different agencies before it comes up for consideration at the next Staff Committee meeting.

No immediate Export-Import Bank loan to Philippines

The staff group will recommend to the NAC top that no general loan to the Philippines be made at present by the Export-Import Bank, although individual exporter loans to that country may continue. The Philippines do not have a dollar shortage problem. Due to our military expenditures their dollar balance of payments is strong and, in any case, their pesos are covered 100 per cent by dollars and are consequently as good as dollars whenever the Filipinos wish to buy abroad.

They have, however, an acute budget problem. In a few weeks' time it may be necessary for them to stop paying Government bills. Since in their disorganized state they will find great difficulty in quickly raising taxes or borrowing from the public, and since they have no central bank from which they can get peso loans, it may be necessary to make them a dollar loan against which they can legally issue a corresponding amount of pesos for internal use. An immediate study of the situation from this standpoint will be proposed by the staff committee. A dollar loan to cover the budget deficit might require direct action by Congress.