

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

Office Correspondence

Date August 2, 1946

To Chairman Eccles

Subject: NAC Staff Meeting

From Walter R. Gardner

W.R.G.

At the NAC Staff meeting today it was announced that the next meeting of the National Advisory Council will probably be held a week from Tuesday. At that time the main subject for discussion will be the proposed loan of \$50,000,000 to Brazil.

No conclusion was reached at the Staff meeting today regarding a recommendation. The Export-Import Bank opened up with a strong argument in favor of making the loan, and the State Department gave its active support. The Treasury questioned the loan mainly on the grounds that Brazil had sufficient reserves to tide her over until the International Bank could provide the necessary resources. I picked up at that point with two lines of argument: first, that in the face of the critical shortage of goods and the inflationary tendencies in this country at the moment it was unwise to bring in additional demands from Brazil, and, secondly, that if the resources of the Export-Import Bank were used up on development loans at this juncture there might be nothing left for finishing the reconstruction job in 1947 should the International Bank, with its eye on the American investor, be reluctant to do the whole job. I suggested that the proposed Brazilian credit would be excellent material for the International Bank; and, if for any reason the International Bank failed to respond to Brazil's needs, we could then consider the possibility of Export-Import Bank action. By that time the inflationary situation might be much improved and the potential reconstruction demands on Export-Import Bank funds would be more clearly known. Commerce Department, however, took the position that the loan would help our industry more than it would hurt since it would keep up employment in lines with surplus capacity such as the steam locomotive industry. It was pointed out to them that it takes scarce steel to make locomotives.

The Treasury asked to have the decision put over until the next meeting so that they might have time to review their position. The Federal Reserve men will, of course, continue to oppose the loan.

Credits in connection with sales of ships by the U.S. Maritime Commission

The Maritime Commission submitted, for possible action by the NAC, a list of the sales of merchant ships which were under consideration and the mortgage aid which would be requested in that connection. The Staff group will recommend in general (1) that the NAC should raise no objection to mortgage aid to foreign governments within the stated amounts,

To: Chairman Eccles

- 2 -

and (2) that the NAC should request more information with regard to the contemplated mortgage aid to foreign individuals before deciding on its position in this respect.

Loan to Ethiopia

Ethiopia has requested a credit of \$1,000,000, all of which would be repaid by June 30, 1950. The Staff group will recommend that, in view of the small amount and short term of this loan, the NAC should not review it in detail but should authorize the Export-Import Bank to use its own judgment in acting on the proposal.