

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

# Office Correspondence

Date September 27, 1946

To Chairman Eccles

Subject: Meeting with Aldrich Committee

From Mr. Knapp

The National Advisory Council met with the Aldrich Committee for a little over an hour on Thursday afternoon, September 26. The following members of the Committee were present: Winthrop W. Aldrich, Champ Carry, Walter J. Cummings, L. M. Giannini, Edward Hopkinson, Jr., Fowler McCormick, Herbert H. Pease, and Tom K. Smith. They were accompanied by Shepard Morgan of the Chase Bank who has been appointed Secretary of the Committee, and ex-congressman Charles S. Dewey.

Mr. Snyder, Mr. Clayton and Mr. Martin were present, but Mr. Wallace was represented only by Mr. Clarence Blau, Department of Commerce representative on the Staff Committee. I took the opportunity to state to Mr. Aldrich personally and subsequently to the group that you were particularly sorry to miss this opening meeting and that you looked forward to meeting with the group on subsequent occasions.

Mr. Aldrich said that his Committee had decided to meet once a month and that they would prefer to meet in Washington so that on each occasion they could confer with the National Advisory Council. Mr. Snyder said that this would be very welcome and it was agreed that the Aldrich Committee should hold its next meeting on Tuesday, October 22, holding its own session in the morning and meeting with the N.A.C. at 2:30 p.m. Mr. Aldrich stated that the Committee did not plan to employ any staff aside from secretarial help.

Mr. Morgan read to the assembled group the minutes of the Committee's meeting held on the morning of September 26. A copy of these minutes is attached. There followed some desultory remarks by various people on points suggested by the minutes but nobody--and in particular Mr. Snyder--seemed to feel like engaging in any detailed discussion. The following points worth recording were made:

1. Mr. Clayton called attention to the 7th paragraph on page 3 of the Committee's minutes and--in what I thought was a surprisingly frank statement of State Department plans--said that the State Department was preparing to request at the next session of Congress an appropriation of funds for relief programs in Italy, Greece, and Austria. He said that everybody recognized that these countries were not credit-worthy and yet that something had to be done to help them out. He said that the State Department believed that some 450 million dollars would be required in 1947 (Italy 200, Austria 150, and Greece 100), and that the United States might put up 300-350 million dollars. The remaining 100-150 million dollars would be provided, he hoped, by the United Kingdom and Canada. Mr. Clayton mentioned that this matter had not yet been considered by the National Advisory Council.

2. Mr. Clayton also called attention to the 5th paragraph on page 3. He said that he did not agree with the general philosophy that we would have difficulty in raising imports to a level where foreign countries could service their debts and expressed his belief that before long the obtaining of adequate imports would be our big problem. He recommended that this subject be put on the agenda for a future joint meeting of the Committee and the Council, at which time he said that he would elaborate his views. *See Knapp*

3. Perhaps the most detailed discussion revolved around the question of Federal legislation on commercial bank investment in and dealing in securities issued by the International Bank. The language of the Committee's minutes on this subject (first paragraph on page 3) is not very clear except to the extent that underwriting of International Bank securities by commercial banks is definitely rejected. From the discussion which developed, it became apparent that the Committee was divided on the question of whether Federal banking legislation should be amended to permit (a) commercial bank dealing in International Bank securities, and (b) commercial bank investment in International Bank securities of more than 10 per cent of capital and surplus. Mr. Smith was apparently opposed to such changes; Mr. Aldrich seemed to be in the middle; and Mr. Giannini made an outright statement in favor of such changes although he thought they should apply only to direct debenture issues of the International Bank and not to issues of other obligors guaranteed by the International Bank. I might add that neither I nor any other person on the N.A.C. side offered any views on this subject.

4. Mr. Aldrich expressed his view that there must be a number of items in the portfolio of the Export-Import Bank, especially the early maturities of some of the Bank's long-term loans, which would be of interest to the private investment market (see 3rd paragraph on page 2 of the minutes). Mr. Martin replied that the Bank had given a lot of study to this subject and that there were great practical difficulties, but that he would be very happy to discuss the matter with the Committee at any time.

5. One of the bankers raised indirectly the question of what function the Federal Reserve Banks might perform in the distribution of the International Bank's securities. Mr. Collado mentioned that this subject had been under study in the Bank and I stated that the Federal Reserve System had also been studying the question and would be prepared shortly to discuss the matter with the Bank.

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Finally there is attached a copy of the press release issued by the Committee after the meeting, the text of which was approved by the N.A.C.

Attachments 2

The President's Committee for Financing Foreign Trade met this morning in Conference Room No. 4, Hotel Statler, Washington, D. C. There were present the following members of the Committee:

Winthrop W. Aldrich, Chairman  
The Chase National Bank of New York

Champ Carry, President  
The Pullman-Standard Car Manufacturing Co.

Walter J. Cummings, Chairman  
Continental Illinois National Bank and Trust Co. of Chicago

L. M. Giannini, President  
Bank of America, San Francisco

Edward Hopkinson, Jr.  
Drexel & Company of Philadelphia

Fowler McCormick, Chairman  
International Harvester Co. of Chicago

Herbert H. Pease, President  
New Britain Machine Company of New Britain, Connecticut

Tom K. Smith, President  
Boatmen's National Bank

There were also present by invitation:

Shepard Morgan  
Charles S. Dewey  
William R. Pitts

The Committee organized and elected Mr. Morgan as Secretary.

The general operations of the Committee were discussed and it was decided that regular meetings should be held at least once a month, and probably usually in Washington so that there would be opportunity for consultation with members of the National Advisory Council, from time to time.

It was decided that members of the Committee should pay their own expenses and make a modest contribution for stenographic and clerical expense as required, and also for general expenses of the meetings.

In advance of the meeting there had been circulated among members of the Committee a confidential topical memorandum from the "Informal Working Committee," dated September 20, 1946. This Working Committee consisted of:

Eugene R. Black  
Chase National Bank

W. Randolph Burgess  
National City Bank

Allen W. Dulles  
Sullivan & Cromwell

William F. Machold  
Drexel & Company

John J. McCloy  
Milbank, Tweed, Hope, Hadley & McCloy

Arthur W. Page  
American Telephone & Telegraph Company

Bradford Smith  
United States Steel Corporation

Charles J. Symington  
Symington-Gould Corporation

George W. Wolf  
United States Steel Export Company

Shepard Morgan  
Chase National Bank, Chairman.

This Working Committee had met from time to time and discussed the matters incorporated in the memorandum as suggestions to be considered by the Committee.

This memorandum was read and the topics discussed seriatim. Generally speaking, there was no attempt to arrive at decisions on matters presented with arguments pro and con, but certain topics seemed clearly important for early consideration and discussion with the Advisory Council.

Under Section I, A. 1, it seemed desirable to have the portfolio of the Export-Import Bank reviewed with the idea of its selling marketable items to appropriate private investors or institutional purchasers so as to make possible an expansion of the bank's lending capacity without requiring or waiting for additional appropriations by the Congress.

The question of broadening the field of authorized investments in the securities of the International Bank was regarded as an important one, and what legislative authority, state or federal, and what modification of existing regulations are required to accomplish this, will have to be the subject of further consideration.

As to the question suggested in the memorandum, as to whether commercial banks should be empowered to underwrite such offerings, the view was unanimous that it would not be desirable, but that to the extent that commercial banks might be authorized to deal in the securities it should be as ordinary portfolio assets.

Under I, A. 3, the question was raised as to whether Title II of the Securities Act of 1933 might have any helpful application. In Sub-Division (c) of this same section, there was discussion as to whether many of the matters affecting the policy of the foreign borrower might not be clarified and stabilized by trade treaties.

The subject of broadening the field of authorized investment as to foreign securities generally involved the question of whether the rating agencies would reverse a previously announced policy and make ratings on European issues and also whether this was the best test that could be devised as bearing upon the right of different classes of investors to purchase such European issues.

Under Sub-Section (e), the field of equity investment was considered and with relation thereto, the program now under consideration by the New York Stock Exchange for broadening the scope of foreign business on the Exchange.

The broad question as to the effect upon our economy of large foreign investment in the near future, and the reasons pro and con, were discussed. It seemed impossible to formulate any general policy and that each particular application would have to be considered on its own merits with regard to likelihood of repayment, the necessity for the loan having regard to the purposes for which the money was required, and the effect of the expenditures for such purposes on our own domestic economy.

In view of the lending powers still available to the Export-Import Bank, and the much greater capacity of the International Bank, additional appropriations for lending abroad appear to be unnecessary and probably undesirable at the present time.

It was recognized, however, that in the light of urgent foreign needs still unsatisfied, national policy might justify, on humanitarian or other grounds, further grants of funds or extension of public credit within the discretion of the Congress.

Under Item B. 4, a, b, c and d, the whole question of repayment of foreign loans was considered and the problems of repayment in goods and services, imports of gold, or further lending.

This general topic necessarily involved the timing of foreign loans and the possibility of excessive lending; whether machinery can be devised, voluntary or otherwise, to act as a restraining influence without undue regimentation and encroachment on private enterprise is an important one.

In conclusion the Committee felt that attempts to write formal reports upon varying topics would only add to the literature on the subject already voluminous, without being particularly helpful to the Council.

The Committee's recommendation, therefore, to the National Advisory Council is that they confer informally with the Committee as often as the Council feels they can be helpful on such designated topics as the Council desires information and advice. This will enable the Committee to make available to the Council the points of view of its members in the varying fields represented by them, without necessarily attempting to formalize and prepare specific recommendations with perhaps majority and minority points of view.

It was thought that the views of the Committee would be most helpful to the Council if they were sought in the early stages of contemplated operations.

FOR IMMEDIATE RELEASE  
Thursday, September 26, 1946

Washington, D. C.

The Committee appointed by President Truman "For Financing Foreign Trade" met in Washington yesterday and today, and conferred with members of the National Advisory Council on International Monetary and Financial Problems, of which Secretary of the Treasury Snyder is Chairman.

These meetings were the first formal sessions of the Committee, which was appointed by the President to bring about the fullest cooperation between the governmental agencies and private industry and finance and secure the return of our foreign commerce and investments to private channels as soon as possible.

The Committee consists of: Chairman, Winthrop W. Aldrich, Chairman of The Chase National Bank of New York; Champ Carry, President of the Pullman-Standard Car Manufacturing Corporation of Chicago; Walter J. Cummings, Chairman of the Continental-Illinois National Bank and Trust Company of Chicago; L. M. Giannini, President of the Bank of America, of San Francisco; Paul G. Hoffman, President of the Studebaker Corporation, of South Bend, Indiana; Edward Hopkinson, Jr., of Drexel and Company, Philadelphia; Fowler McCormick, Chairman of the International Harvester Company of Chicago; Irving S. Olds, Chairman of the United States Steel Corporation of New York; Herbert H. Pease, President of the New Britain Machine Company of New Britain, Connecticut; Gordon S. Rentschler, Chairman of the National City Bank of New York; A. W. Robertson, Chairman of the Westinghouse Electric Corporation of Pittsburgh; Tom K. Smith, President of the Boatmen's National Bank of St. Louis.

Mr. Aldrich, in accepting appointment as Chairman of the Committee, summarized the purposes of the Committee as follows: "To bring into orderly common effort public and private finance, through businessmen and bankers, in the foreign field; to foster the application of the productive capacity of the United States in the most effective manner possible to the needs of domestic consumption and foreign reconstruction; and to promote relations between American and foreign business enterprise for the purpose of developing and maintaining foreign trade, both export and import, on a high and expanding level."

At these meetings there was discussed with the National Advisory Council a program for making the services of the members of the Committee available to the Council, to confer with them from time to time as desired on important matters coming within the function of the Council and to express the viewpoint of industry and finance regarding these subjects.

It is expected that future discussions will involve consultation on specific questions as they arise.

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Source:

Committee appointed by  
President Truman  
For Financing Foreign Trade