

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date October 3, 1947.

To Chairman Eccles

Subject: Meeting at State Department
regarding Marshall Plan
legislation.

From Mr. Vest

In accordance with our recent conversation on the subject, I attended at the State Department this morning a meeting called by the Chief Counsel of the State Department to consider possible legislation to carry out the Marshall Plan. Lawyers were present from the other Government agencies represented on the Steering Committee: The Army and Navy, Treasury, Commerce, Interior, Agriculture, and possibly one or two others.

A draft of legislation which had been prepared by the State Department lawyers was passed around and a number of points in connection with it were discussed briefly at the meeting. The draft was the same as one which had previously been furnished to representatives of the Board's International Section, who have, as you know, attended certain meetings of the Steering Committee. The State Department has also been working on a draft of interim legislation to meet the temporary needs of the European economy during the coming winter, but this draft, it was said, was not yet ready.

In brief, the proposed bill on the Marshall Plan would authorize the President to procure foodstuffs and other commodities and deliver them to the European countries participating in the Marshall Plan. The bill will make clear that this may be done by outright gift or with the expectation of repayment. Aid may be provided, however, only upon condition that the country receiving the aid will adhere to the purposes of the Marshall Plan, will undertake to make efficient use of its resources, and will make reports from time to time. The authority contained in the bill will expire on June 30, 1952, except as to carrying out agreements made prior to that date.

The question as to how the law, if enacted, will be administered is still under consideration. Presumably it will be administered through the agency of the State Department, but conceivably it may be done through some other agency of the Government or possibly a new corporation may be set up for the purpose.

One provision of the bill of special interest to the Federal Reserve System provides for the establishment of an advisory committee, which is to consult with and advise the President on problems and developments in the administration of the law. This committee would consist of the Secretary of State as Chairman, the Secretaries of Treasury, Commerce and Agriculture, four members of Congress, and three representatives of the public. This provision did not come up for discussion in

the meeting but after the meeting I talked briefly about it with Mr. Gross of the State Department, who acted as Chairman of the meeting. He said that it had not been determined whether to have such an advisory committee or, if there were such a committee, just who should be represented on it.

There is much to be said both for and against such an advisory committee but, if one is to be established, I take it for granted that, in view of the effect of the Marshall Plan upon the domestic economy and the Board's powers in the national credit field, it would be desirable that the Board be represented on the committee. It will be helpful in future discussions of this matter, however, to know whether such representation is considered desirable.

There was some discussion of the question whether, as a matter of strategy, it would be desirable in the event of a special session of Congress to submit to such special session the proposed legislation providing for the Marshall Plan as well as the temporary interim legislation to cover the needs of the coming winter, or whether to withhold presenting the bill carrying out the Marshall Plan until the regular session in January. However, no conclusion was reached.

It is understood that the legal group will meet again shortly and from time to time to consider this legislation, and either I or someone else from this office will attend these meetings.

SBV