


BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date November 24, 1947

To Chairman Eccles

Subject: Actions taken at today's

From Mr. Knapp 

National Advisory Council meeting.

The following actions were taken at today's National Advisory Council meeting (attached is the memorandum which I wrote you this morning concerning the first three items on the agenda):

1. Export-Import Bank credit to Turkey

This credit was approved in the amount of 8 million dollars.

2. Guarantees for private American investment under the European Recovery Program

The alternative recommendation B calling for the grant of certain limited authority to the Administrator to give such guarantees was approved in the following form:

"B. The Administrator of the European Recovery Program should be given authority to guarantee the recovery of dollars to be invested by American companies in participating countries, subject to the provisos that:

(a) Such investment is to be made with the consent of the country concerned as part of its recovery program.

(b) Such guarantee would take the form of guaranteeing the transfer into dollars of local currency derived from the investment whether through earnings from or sale of the properties (including sale to the local government in case of nationalization) up to the amount of the initial dollar investment.

(c) The aggregate amount of such guarantees would be limited to 5 per cent of the funds authorized for the European Recovery Program."

While this authority is more extensive than that recommended in the Staff Committee's paper in the sense that it would cover investments in new enterprises (rather than only in the restoration or expansion of already existing enterprises) it is also more limited in that the consent of the foreign country would be required. This authority could, therefore, not be used to force American business interests into foreign countries which did not want to accept them. Secretary Harriman was especially anxious to get some limited guarantee authority of this kind, and Willard Thorp seemed quite ready to go along.

3. U.S. Assistance to "Marshall Plan" countries in mobilization of their private dollar assets in the United States

Secretary Snyder stated that this matter had been given a great deal of study in the Treasury but that they had not been able to hit upon any solution of the problem which seemed satisfactory. He therefore recommended that the matter simply be referred to Congress for its consideration without any recommendation from the Council. None of the other members of the Council were very familiar with this complex and complicated problem, so they were quite prepared to "pass the buck" in this matter. It was agreed that the Staff should draw up a memorandum concerning the nature of the problem.

I have informed Mr. Knoke in New York of this development, and he stated that Mr. Sproul had had some new ideas on the subject which he (Mr. Knoke) would communicate to me shortly. If these ideas prove to be helpful, we shall still have time to use them in preparing the material for submission to Congress.

4. Export-Import Bank credit to Belgium

Governor Szymczak expressed our hesitation concerning this credit and our regret that no time had been allowed for Staff consideration and report on the matter. Mr. Martin insisted, however, that the Belgians had lost a lot of time in negotiating with the private market and that ~~they~~ now needed a quick answer. He felt that the loan was a good credit risk (which no one doubted) and that it would be useful in stimulating the flow of private capital to Belgium (the question is, however, whether we should encourage even the flow of private capital to Belgium at this time if this is to finance a continuation of Belgium's high level of imports from the United States). Our question as to whether this might be handled by the International Bank was referred to Gene Black who said that he thought the Bank would rather not consider it since the loan was not required to cover a special capital project.

After a brief discussion, Secretary Snyder asked if there was any objection to the loan, and there being none, the loan was approved. A feature of the loan not mentioned in my memorandum this morning is that the National Bank of Belgium will agree to hold earmarked gold in New York during the life of the loan in an amount at least equal to the unpaid balance, although this gold will not be pledged as collateral for the loan.

Attachment