

Excerpt from the President's Budget Message for 1948

"The Corporation Supplement to the 1947 Budget indicated that the Federal Deposit Insurance Corporation could soon begin to retire its capital stock. The continuing rapid growth in the Corporation's resources and the exceptionally strong position of the insured banks now make it possible to propose a substantial amount of capital redemption in the fiscal year 1948. Accordingly, I recommend that the Congress authorize the Corporation to repay all of the 139 million dollars of capital furnished by the Federal Reserve System. Since the Reserve banks have already replaced these funds from earnings in recent years, the Board of Governors of the Federal Reserve System has proposed that the Congress at the same time authorize the payment to the Treasury of the 139 million dollars. I also recommend that the Congress authorize the Corporation to repay 100 million dollars of the 150 million dollars furnished by the Treasury Department.

"By the close of the fiscal year 1948, after these repayments, the Corporation will still have capital surplus and reserves of about 1 billion dollars -- the objective set several years ago.

"The Board of Governors has made a further recommendation, in which I also concur, that the Congress repeal the existing, largely dormant, authority of the Federal Reserve banks to make direct loans to industry, releasing to the Treasury the funds reserved for this purpose. The gold increment fund now includes 112 million dollars reserved for such loans, and an added 28 million dollars has been advanced to the Federal Reserve banks. These sums will be transferred to miscellaneous receipts.

"These transfers from the Federal Deposit Insurance Corporation, the Federal Reserve banks, and the gold increment fund will add a total of 379 million dollars in miscellaneous receipts in the fiscal year 1948."