

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date March 11, 1948.

To Chairman Eccles

Subject: Statement by Senate Banking
and Currency Committee
regarding S. 408.

From Mr. Vest

The Senate Banking and Currency Committee has just reported a bill to extend the RFC for ten years, and I attach a copy of my memorandum of yesterday summarizing the bill. The report of the Committee has just become available, and we find the following paragraph, entitled "Federal Reserve lending authority":

"By Section 13b of the Federal Reserve Act, the Federal Reserve banks are authorized to make direct loans and to guarantee loans to business enterprises under certain circumstances. Senate bill 408, which has been reported out favorably by this committee, would in effect expand the powers of the Federal Reserve banks to make these loans. This authority is no different from authority which RFC possesses under the RFC Act. The committee believes that there should not be two separate Government agencies engaged in performing identical lending functions. It would be inadvisable to make the Federal Reserve banks the sole agency in that field because this would involve granting to those banks far broader powers than are contained in the present section 13b or in the provisions of S. 408 in order to provide the scope of financial aid which can be afforded by RFC under its various lending powers. The committee has concluded, therefore, that the lending powers granted to the Federal Reserve banks by Section 13b of the Federal Reserve Act should be removed entirely."

Whether or not the Committee proposes to take any steps to remove the present authority of section 13b is not disclosed.

SBV