

*attach  
to report to  
Congress*

The Federal Advisory Council is of the opinion that the Special Report submitted to the Congress on December 31, 1940, by the Board of Governors of the Federal Reserve System, the Presidents of the Federal Reserve Banks, and the Federal Advisory Council, was an important statement dealing with the risks of a possible inflationary development which might arise out of the present situation. While the Council does not fear that such an inflation is imminent and is likewise aware of the fact that "inflation can not be controlled by monetary measures alone," nevertheless, the Council does believe that monetary action may be an important factor if it should become necessary at some future time to control an inflationary movement.

The Council believes that the System as a whole should be prepared to support fully the recommendations and statements made in the Report, since it does not consider there is any reason at this time for a change in the position taken in the Report. If the System, or the Board of Governors, should be requested by the Congress to implement the Report, or more specifically, if either should be asked to draft a bill designed to translate the recommendations made in the Report into law, the bill, as the Council believes at this time, should seek only to put into legal form those recommendations in the Report which relate specifically to the problem of excess reserves. The Council is furthermore of the opinion that if later on it appears that those recommendations should be modified or supplemented it

would be helpful before a bill is proposed if there were a prior conference with those groups subscribing to the original report. The Council takes it for granted that the other protective steps discussed in the Report "equally or more important" than the monetary aspects of control will be dealt with by those authorities or departments of the Government within whose jurisdiction they belong.