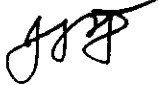


BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date June 21, 1941To Chairman Eccles

Subject: _____

From Mr. Dreibelbis, Assistant
General Counsel

When you appeared in 1937 in connection with the extension of this authority and on other occasions, Congressman Patman has persistently asked you why the Board has not established a rate of interest to be charged Federal Reserve Banks on the uncovered portion of Federal Reserve notes outstanding as provided in section 16 of the Federal Reserve Act.

It is less clear that this question would not be germane than is the case with respect to some of the other questions which he might press.

One answer to such a question is that the legislative history clearly indicates that the provision was designed to implement the Board in encouraging the retirement of Federal Reserve notes whenever they became redundant and that it has always been so interpreted. A memorandum prepared in 1938 on this subject also setting out colloquies between you and Congressman Patman is attached.

Attachment