

Received from M. S. Eccles, Board  
of Governors of Federal Reserve System, letter  
and documents, on October 20, 1947.

For Mr. Stevens:

*Vella May Orndorff*  

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Secretary.

District of Columbia Senate Committee Room.

October 20, 1947.

Mr. Louis M. Stevens,  
District of Columbia Committee Room,  
Capitol Building,  
Washington, D. C.

Dear Mr. Stevens:

As I promised you in our discussion of Federal Reserve lending powers, I am sending you herewith the following material bearing upon the pending legislation relating to the authority of Federal Reserve Banks to guarantee loans to business enterprises.

1. Bill S. 408 in the form in which it was reported unanimously by the Senate Committee on Banking and Currency to the Senate on April 28, 1947.
2. The report of the Senate Committee on Banking and Currency accompanying this bill.
3. The statement which I presented at the hearings of the Senate Banking and Currency Committee on this bill on April 17, 1947.

It was my understanding from my conversations with Chairman Wolcott of the House Banking and Currency Committee who introduced the companion bill in the House (H. R. 3268) that it was his plan to await favorable action by the Senate on S. 408 before reporting the legislation favorably to the House but that the press of other business prevented action by the Senate on S. 408 before its adjournment so that the bill continues on the calendar of the Senate for action at the next session.

The proposed legislation has been endorsed by the Under Secretary of Commerce, the Subcommittee of the Small Business Advisory Committee to the Secretary of Commerce, and several State bankers

FILE COPY

Mr. Louis M. Stevens

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Associations. The principle embodied in the legislation was supported by the Research and Policy Committee of the Committee for Economic Development.

As pointed out in the Senate Committee Report, the proposed legislation would replace the existing authority of the Federal Reserve Banks contained in section 13b of the Federal Reserve Act by a new provision in section 13 under which no Government appropriations or drain on the Federal budget would be involved in operations under the bill. The Reserve Banks would use their own funds in carrying out their authority to make guarantees and the bill would not place the Reserve Banks in competition with the private banking system.

Aside from the industrial loan powers, the Federal Reserve Banks, as I pointed out to you, have broad powers to discount eligible paper for member banks and to make loans or advances to member banks on any sound assets. These powers are covered by Regulation A of the Board of Governors, a copy of which I enclose and in which you will find in an Appendix the statutory provisions covering this authority of the Federal Reserve Banks.

If there is any further material that you would like to have, please do not hesitate to call upon me.

Very truly yours,

M. S. Eccles,  
Chairman.

Enclosures

CM:am

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CHARLES W. TOBEY, N. H., CHAIRMAN  
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## United States Senate

COMMITTEE ON BANKING AND CURRENCY

Senate D. C. Rooms  
U. S. Capitol

October 22, 1947

Mr. M. S. Eccles, Chairman  
Federal Reserve System  
Washington, D. C.

Dear Mr. Eccles:

Thank you for your letter of October 20,  
and for its enclosures. They are just what  
I wanted.

A little later on when I have fully famil-  
iarized myself with this matter, I shall  
ask you again to let me come to see you.

Yours sincerely,



Lewis M. Stevens  
Chief Counsel  
R.F.C. Inquiry

LMS/vmo

CHARLES W. TOBEY, N. H., CHAIRMAN  
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## United States Senate

COMMITTEE ON BANKING AND CURRENCY

Senate D. C. Rooms  
U. S. Capitol

December 16, 1947

Mr. Marriner S. Eccles, Chairman  
Board of Governors  
Federal Reserve System  
Washington, D. C.

Dear Mr. Eccles:

Please accept my personal thanks for your kindness in giving me the opportunity to set our RFC problems before you, and for so helpfully cooperating with us in arranging for your appearance before the Senate Subcommittee.

Yours sincerely,

*Lewis M. Stevens*

Lewis M. Stevens  
Chief Counsel  
RFC Inquiry

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