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BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Washington

PERSONAL AND CONFIDENTIAL

March 22, 1946.

Dear Fred:

The question of the preferential discount rate was necessarily a subject of discussion at the recent meeting of the presidents of the Reserve Banks with the Board, and at the conclusion of the discussion the presidents initiated and unanimously approved a motion requesting me to advise you informally that I "could not give the Treasury the assurance that the Federal Reserve Banks would not act on the preferential rate in the near future."

It is my belief that no action to eliminate the preferential rate will be taken by any Reserve Bank before the meetings of their directors in April. The law requires that the board of directors of each of the Reserve Banks must take action on all rates every two weeks, that is, they must approve continuance of existing rates or change or eliminate them, and the Board here in Washington must approve or disapprove of whatever action each board of directors has taken.

Therefore, should any of the directorates of the Reserve Banks vote to eliminate the preferential rate, the Board here must either approve or disapprove, and the law further requires that the Board must state in its policy record, which has to be sent to Congress and made public, the reasons for the Board's approval or disapproval.

Sincerely yours,

/s/ M. S. Eccles

The Honorable Fred M. Vinson,
Secretary of the Treasury,
Washington 25, D. C.