



WHCF EX/LE/FI 9

Box 51

Gold Cover

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THE SECRETARY OF THE TREASURY
WASHINGTON

EXECUTIVE

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FG 110

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January 13, 1965.

MEMORANDUM FOR THE PRESIDENT

Subject: Legislative Prospects for Legislation
Reducing 25 percent Gold Cover.

Chairman [?] Martin and I talked with Senator Willis
X Robertson this morning regarding the proposed gold cover
legislation. Senator Bennett was also present at Senator
Robertson's invitation. After our conversation Senator
Robertson apparently understood the necessity for action
to reduce the current gold cover, although he made no
commitment as to what his final position would be. He
did agree to take the legislation up promptly and hold
hearings.

As a result of our conversation three possible
pitfalls appear:

First -- Senator Bennett said that the Republican
leadership was considering taking a party position against
any change, more or less irrespective of the merits.

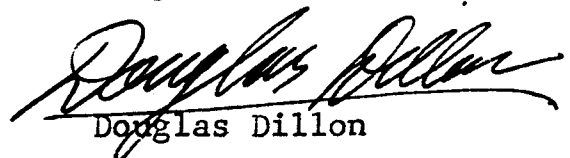
Second -- We will have to propose legislation later
in the spring eliminating or substantially reducing the
silver content in our coins. Both Senator Robertson and
Senator Bennett felt it important that these two matters
not get mixed up together, and that the gold cover legis-
lation should be expedited as much as possible so as to
get it out of the way before it becomes necessary to
consider the silver coinage legislation. I fully agree
with them on this point. If we are to meet this schedule
we will, at an appropriate time, need the vigorous support
of Mr. O'Brien's office with both the House and Senate
leadership.

Third and most important -- Removal of the gold cover requirement on Federal Reserve deposits leaves the responsibility for controlling credit expansion solely up to the Federal Reserve Board with no legal limitation at all. This, in the eyes of Senators Robertson and Bennett, greatly increases the importance of maintaining the full independence of the Federal Reserve. Senator Robertson went so far as to say that he doubted if he could support any legislation unless there were categorical assurances that the Administration favored the continued independence of the Federal Reserve, and that Mr. Patman's attempts to subordinate it to the Executive would be resisted. I am sure that this view will be widely held. Unless we are in a position to give such assurances, the gold cover legislation could have unnecessarily rough sailing.

Charls Walker of the ABA showed me an advance copy of a speech he is planning to make in Houston, Texas next Wednesday. After discussing the pros and cons of action on the gold cover he comes to the conclusion that the present requirement should be reduced, but not removed. However, he states that "this should be done only if the Administration makes it clear that the independence of the Federal Reserve System within government will be maintained; and only if the financial community and the American people are assured that actions to correct the balance-of-payments deficit will be intensified."

I realize this may cause some problems with Mr. Patman, but nevertheless I would propose to testify, as I have in the past, in favor of the continued independence of the Federal Reserve. I would also propose to state that this is the position of the Administration. I believe this is in accord with statements you have made over the past few months. It is likely that some time in the coming weeks, when this matter is before the Congress, you will get a similar question at one of your press conferences.

With this exception, it does not now appear to me that we should have any major difficulty with the gold cover legislation, although it will probably bring forth some emotional testimony, editorials and speeches.


Douglas Dillon