

A meeting of the Board of Governors of the Federal Reserve System with the executive committee of the Federal Advisory Council was held in the offices of the Board of Governors in Washington on Wednesday, June 7, 1944, at 12:00 noon.

PRESENT: Mr. Ransom, Vice Chairman  
Mr. Szymczak  
Mr. McKee  
Mr. Draper  
Mr. Evans

Mr. Morrill, Secretary  
Mr. Bethea, Assistant Secretary  
Mr. Carpenter, Assistant Secretary  
Mr. Clayton, Assistant to the Chairman  
Mr. Goldenweiser, Director of the Division of Research and Statistics  
Mr. Smead, Director of the Division of Bank Operations  
Mr. Dreibelbis, General Attorney  
Mr. Leonard, Director of the Division of Personnel Administration  
Mr. Wyatt, General Counsel  
Mr. Pollard, Assistant Director of the Division of Examinations

Messrs. Edward E. Brown, Charles E. Spencer, Jr., John C. Traphagen, William F. Kurtz, and Robert V. Fleming, members of the executive committee of the Federal Advisory Council.

Mr. Walter Lichtenstein, Secretary of the Federal Advisory Council

Mr. Brown stated that inasmuch as Messrs. Ransom and Szymczak were not present at the meeting of the Federal Advisory Council with the Board on May 15, 1944, he wanted to reiterate the position taken by the Council at that time with respect to its being furnished information concerning legislation proposed by the Board. It was felt, he said, that such information could be given to the members of the Council in confidence and that they were entitled to it under the provisions of the

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Federal Reserve Act. He also said that the members of the Council felt very strongly about the matter, that they could not let it rest without determination, that the Council could not function satisfactorily unless it had the information, and that it was hoped that the Board would discuss the matter and meet the views of the Council regarding it.

Mr. Ransom stated that he had read the minutes of the meeting of the Board with the Council on May 15 and that his personal feeling about the matter referred to by Mr. Brown was that, for the reasons stated at that meeting, it would be a definite advantage to the Board to obtain the advice and opinions of the members of the Council on legislation which the Board was sponsoring. He said that the position of the Council would be considered at a meeting of the Board of Governors when all of the members were present and a decision reached, and that he would be bound by that decision. He felt that the statutory right of the Council was not involved but that the question was the much more important one of the Board and the Council understanding each other and working together in a common cause. He did not doubt that the Council, which was created by Congress for definite purposes, would treat as confidential any matters of that nature which the Board might wish to put before it.

Mr. Brown then referred to the amendment to section 13b of the Federal Reserve Act which had recently been introduced in Congress at the request of the Board and stated that some of the Federal Reserve Banks had made suggestions as to changes in the bill, one Federal Reserve Bank having requested its representative on the Federal Advisory Council to bring the matter up at this meeting.

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Mr. Draper explained that the Federal Reserve Banks had been asked for their suggestions before the bill was introduced, that suggestions were made which were not incorporated in the bill, and that Mr. Sproul, who was Vice Chairman of the Presidents' Conference, had been informed by letter that it was not anticipated that the bill would be given active consideration at any time in the near future, so that there would be an opportunity to discuss the suggestions at the next Presidents' Conference.

Mr. Kurtz stated that there had been a discussion of the bill at the Federal Reserve Bank of Philadelphia last week and that President Williams had taken the position that the bill should be amended to provide (1) that the \$139 million, which would be made available by the bill, be turned over to the Federal Reserve Banks instead of the Board of Governors and (2) that the Federal Reserve Banks be authorized to guarantee loans up to 100 per cent and to make direct loans.

In the discussion which ensued, the members of the executive committee of the Council indicated that they would be opposed to authorizing the Federal Reserve Banks to make direct loans.

Mr. Brown stated that following the meeting of the Council with the Board on May 15 the Council voted to support the Board's position on the amendment as introduced, and that if there were any disposition on the part of the Board to amend the bill in response to the suggestions of the Presidents of the Reserve Banks the Council would like to be informed.

Mr. Ransom stated that he understood that the questions raised by the Presidents had been considered before the bill was introduced, that it

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had been decided that they should not be incorporated in the bill, and that he did not know of any inclination on the part of the members of the Board at this time to favor any changes in the bill.

On the question whether the Board or the Reserve Banks should receive the \$139 million which would be made available by the bill, Mr. Fleming suggested that it would be better for the Board to continue as a policy-making body rather than as an operating body. Mr. Kurtz expressed the opposite opinion, and suggested that the Reserve Banks would adopt a more liberal policy if the whole fund were available to insure losses than if the fund were divided among the Banks and each Bank had to pay its own losses.

Mr. McKee inquired (1) whether the attitude of the Council with respect to the amendment to section 13b would be the same if there were no legislation pending, and (2) how it would be possible to get the Government out of business if its powers continued to be enlarged by legislation of this kind. The response was that it was expected, as had been stated previously, that if the amendment were enacted the Federal Reserve Banks could withdraw from the field when the need was past, but that that would not be true of an agency organized to provide for the specific need. Mr. Brown stated that the Council favored the amendment as the best available solution of the existing situation in which it was apparent that some legislation for the purpose of making credit available to small business would be enacted.

Mr. Brown then stated that Mr. Ransom had asked that the members of the executive committee submit any suggestions that they might have with respect to the plans for the international monetary fund and the international

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bank for reconstruction and development. He added that he was in the position of having accepted appointment as a member of the American delegation to the international conference which had been called to consider these plans and, therefore, was unable to express strong views, but that the views expressed during the meeting might be helpful to him.

Mr. Ransom stated that the decisions reached with respect to the monetary fund and the investment bank were matters of great importance and interest to the System. He referred to the meeting which was held yesterday with members of the Board and representatives of the Federal Reserve Banks, as well as Mr. Brown who had been invited in his capacity as President of the Council, and said that, if the members of the executive committee would prefer later to express any views that they might have on the matter, that would be satisfactory to the Board, provided it were borne in mind that any suggestions made should be submitted before the end of the month as the matter might crystallize very rapidly in the period before the convening of the international conference on July 1.

In the ensuing discussion, it was understood that if the members of the executive committee had any views to express they would be sent to the Board before the end of June.

Reference was made to Mr. Brown's selection as a member of the American delegation to the international conference, and he stated that he understood that he was appointed as a representative of the commercial banks and, therefore, was not bound to express either the views of the Board or the Federal Advisory Council. Mr. Szymczak suggested that Mr. Brown could not divorce

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himself from his position as President of the Council, that with him and Chairman Eccles as members of the delegation their actions would commit the System to a certain extent, and that the System might not be free to go before Congress and oppose any action for which they had voted. Mr. McKee, however, was of the opinion that in the absence of further developments, if the Board were asked by Congress for a report on the proposed legislation in connection with the monetary fund or the international bank, it would be free to express an opinion.

Mr. Ransom said that personally he would regard himself as being estopped from raising any essential objection before a Congressional committee with respect to a plan for which Messrs. Eccles and Brown had voted as members of the American delegation because it would be in the interest of the System to have expressed its views before the situation reached that stage. For that reason he felt it was most essential that before the plan became crystallized to that extent the views of the members of the Board and the Council should be made available.

Mr. Brown expressed the thought that if an individual were opposed to the plan it would be difficult to work for changes in the plan without ultimately getting in the position of favoring the final outcome, and that for that reason there were individuals who felt that the plan could be defeated in Congress and were not willing to have any part in the current discussions.

Mr. Szymczak stated that the Federal Reserve System was very much interested in the whole matter and should either keep in touch with it all along the line, and try to get its suggestions accepted while the plan was being formulated, or stay out of the discussions and be prepared to make suggestions

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when enabling legislation was before Congress. He did not feel, however, that in the circumstances the latter course would be a feasible one.

At the conclusion of the discussion of the plans for the international monetary fund, Mr. Fleming stated that Mr. Leonard of the Board's staff had given him a copy of the letter received under date of June 6, 1944, from the Chairman of the War Manpower Commission in which it was stated that the operations of commercial and savings banks had been added to the list of trades and services that might be granted locally needed designations by the regional and area directors without further action by the War Manpower Commission.

There was a discussion of how the action of the Commission should be brought to the attention of banks throughout the country and whether the letter from the Chairman of the Commission should be published in the next issue of the Federal Reserve Bulletin. It was stated that the next issue of the Bulletin would not come out until July and that a more expeditious method of publication would be desirable. Mr. Fleming stated that undoubtedly the American Bankers Association would undertake to notify its members, and at the conclusion of the discussion the method of publication was left to be worked out by Messrs. Fleming and Leonard.

Mr. Brown stated that in the absence of objection by the Board the executive committee would suggest that its July and August meetings be cancelled, with the understanding that the committee or the Council would meet upon call by the Council or the Board of Governors. There was no objection on the part of the Board to this arrangement.

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Thereupon the meeting adjourned.

Oliver Morley  
Secretary.

Approved:

[Signature]  
Vice Chairman.