

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, July 5, 1944, at 11:00 a.m.

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

Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary
Mr. Clayton, Assistant to the Chairman

The action stated with respect to each of the matters herein-after referred to was taken by the Board:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on July 4, 1944, were approved unanimously.

Letter to the Presidents of all the Federal Reserve Banks reading as follows:

"Reference is made to paragraphs 2(a) and 2(b) of Colonel Cleveland's memorandum of May 26, 1944, forwarded to the Federal Reserve Banks with Board letter S-760, dated May 27, 1944.

"Paragraph 2(a) states that 'Copies of all general instructions or releases to the Federal Reserve Banks should be furnished to the Liaison Officers whether or not a specific request so to do is contained in the covering letter from this Office'. As you know, prior to May 26, 1944, the Board had been sending directly to Liaison Officers copies of all such instructions and releases issued by the War Department, in conformity with Colonel Cleveland's memorandum of January 29, 1943, forwarded to you with our letter of February 1, 1943. Since May 26, the Board has continued to follow this procedure, and, in addition, has been forwarding direct to Liaison Officers copies of all general instructions or releases sent to the Board by the Navy Department and Maritime Commission for distribution to the Reserve Banks. In future copies of general letters from the Board relating to

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"Regulation V matters, such as revision of guarantee agreements, etc., will also be sent direct to Liaison Officers. The matter is being brought to your attention at this time so that you will know that Liaison Officers are receiving direct from the Board copies of communications of the kind mentioned which are sent to all Federal Reserve Banks.

"The War Department and Navy Department have advised us that the intent of paragraph 2(b) of the memorandum of May 26, 1944 is simply that copies of general instructions and interpretations forwarded to all Federal Reserve Banks, including interpretations of sections 4, 5 and 6 of the guarantee agreement, should be made freely available in the form in which issued to the financing institutions having guaranteed loans upon their request. Such request may be either a specific request relating to particular instructions issued by the Services or a general request relating to all general instructions and interpretations issued by the Services which are forwarded to all Federal Reserve Banks. The Reserve Banks are not required to circulate such general instructions and interpretations among all financing institutions having V or VT loans, unless specifically requested by the Services to do so although they may do so if they wish."

Approved unanimously.

Letter to Mr. F. J. Bailey, Assistant Director, Legislative Reference, Bureau of the Budget, reading as follows:

"This refers to your letter of June 26, 1944, in which you request an expression of views with respect to a proposed report of the War Department regarding S. 1918, a bill 'To amend section 13b of the Federal Reserve Act, as amended'.

"As you know, the Baruch-Hancock Report on War and Postwar Adjustment Policies, of February 19, 1944, recommended 'as a permanent source of credit for small and medium sized enterprises on a basis of broader risks than banks can be expected to assume, that the Federal Reserve System's authority to make industrial loans or commitments be expanded and liberalized. These loans should

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"be made in such a way as to supplement, not compete with, private investment, for which enormous funds are available'. S. 1918 has been drawn to implement this recommendation.

"The bill would not involve any new appropriation by Congress and would not authorize the Federal Reserve Banks to make direct loans to business enterprises. It contemplates that the Reserve Banks guarantee loans made by private financing institutions which such institutions would be unwilling to make without such a guarantee.

"In introducing S. 1918, Senator Wagner had inserted in the Congressional Record an explanatory statement entitled 'Plan for Industrial Loans by Commercial Banks Guaranteed by Federal Reserve Banks'. A copy of the statement which was inserted in the Record is enclosed for your convenient reference. For the reasons there stated, the Board of Governors favors S. 1918 and, accordingly, hopes that the proposed report submitted by the War Department with respect to this bill will be transmitted to the Congress."

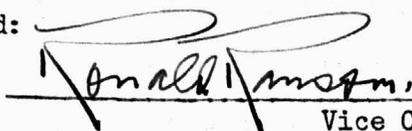
Approved, Mr. McKee not voting.

Thereupon the meeting adjourned.



Assistant Secretary.

Approved:



Vice Chairman.