

MINUTES OF MEETING OF THE EXECUTIVE COMMITTEE OF THE  
FEDERAL ADVISORY COUNCIL

April 9, 1942

At 9:30 A. M., the Executive Committee of the Federal Advisory Council convened in the Conference Room of the Federal Reserve Building, Washington, D. C., on Thursday, April 9, 1942, the President, Mr. Brown, in the chair.

Present: Mr. Edward E. Brown, President; Mr. George L. Harrison, Vice President; Messrs. William Fulton Kurtz, Robert V. Fleming, S. E. Ragland, and Walter Lichtenstein, Secretary.

The Secretary reported that Mr. Huntington was ill but that he hoped to be able to attend the May meeting of the Council.

The President stated that he supposed the two chief topics for this meeting would be:

1. Plans for future government financing.
2. The Executive Order of March 26, 1942, authorizing the War and Navy Departments and the Maritime Commission to guarantee loans to be made by the Federal Reserve banks, the Reconstruction Finance Corporation or other financial institutions to small business enterprises engaged in the manufacture of materials needed for the prosecution of the war.

The meeting adjourned at 10:20 A. M.

WALTER LICHTENSTEIN,  
Secretary.

MINUTES OF JOINT CONFERENCE OF THE EXECUTIVE COMMITTEE OF  
THE FEDERAL ADVISORY COUNCIL AND THE BOARD OF GOVERNORS OF  
THE FEDERAL RESERVE SYSTEM

April 9, 1942

At 10:30 A. M., a joint conference of the Executive Committee of the Federal Advisory Council and the Board of Governors of the Federal Reserve System was held in the Board Room of the Federal Reserve Building, Washington, D. C.

Present: Members of the Board of Governors of the Federal Reserve System:

Vice-Chairman Ronald Ransom; Governors John K. McKee, Ernest G. Draper, and Rudolph C. Evans; also, Messrs. Chester Morrill, Secretary of the Board of Governors, and S. R. Carpenter, Assistant Secretary.

Present: Members of the Executive Committee of the Federal Advisory Council:

Mr. Edward E. Brown, President; Mr. George L. Harrison, Vice President; Messrs. William Fulton Kurtz, Robert V. Fleming, S. E. Ragland, and Walter Lichtenstein, Secretary.

Governor Draper discussed the recent issue of certificates of indebtedness. He stated that originally the Treasury wished to issue \$750,000,000 of these certificates to mature within six months and a similar amount to mature within nine months. Finally, the Treasury agreed with the Board of Governors to issue \$1,500,000,000 of certificates of indebtedness to mature within six months.

Vice-Chairman Ransom discussed the possibility of larger amounts of corporate funds being invested in government securities, but the general feeling on the part of those present was that little could be accomplished until the Treasury had formulated a somewhat more definite program of future financing.

Mr. Harrison pointed out that it is practically impossible for a corporation to decide how much it can invest in government securities, until it has some idea as to how much of its funds it must keep in reserve to meet future taxes.

Considerable discussion took place with regard to these problems.

In respect to the Executive Order No. 9112, of March 26, 1942, Governor Draper submitted a two page typewritten memorandum.

The meeting adjourned at 1:30 P. M.

WALTER LICHTENSTEIN,  
Secretary.

MINUTES OF MEETING OF THE EXECUTIVE COMMITTEE OF THE  
FEDERAL ADVISORY COUNCIL

April 9, 1942

At 9:30 A. M., Mr. Brown called the meeting to order in the Committee Room of the Federal Reserve Building, Washington, D. C.

Present: Mr. Edward E. Brown, President; Mr. George L. Harrison, Vice President; Messrs. William Fulton Kurtz, Robert V. Fleming, S. E. Ragland, and Walter Lichtenstein, Secretary.

The Secretary reported that Mr. Huntington was still ill, but expected to be able to attend the May meeting of the Council.

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Considerable discussion took place with regard to these problems.

In respect to the Executive Order No. 9112, of March 26, 1942, Governor Draper submitted a two page typewritten memorandum, attached hereto, explaining some details in connection with the Executive Order.

The meeting adjourned at 1:30 P. M.

Walter Lichtenstein

Secretary

April 9, 1942

CONFIDENTIAL MEMORANDUM OF GOVERNOR DRAPER

Ever since Executive Order No. 9112 was issued on March 26, 1942, we have been busy with organization problems. As you probably know, the three Government agencies mentioned in that Order are the War Department, the Navy Department, and the Maritime Commission. Representatives from these agencies, together with representatives from the Board, form a policy committee for effectuating the purposes of the Executive Order. This policy committee has met frequently since March 26th, and has finally evolved a working program which we hope to initiate with the least possible delay. I should add that this program was not decided upon until after we had had a two day meeting on April 1st and 2nd, with the representatives of all of the Federal Reserve Banks, in order to secure their opinions on various aspects of the problem.

There are four documents which the Federal Reserve Banks must have before they can begin to operate. They are:

1. A copy of the instructions from the armed services to the Federal Reserve Banks.
2. A copy of our regulations to the Federal Reserve Banks with reference to the operation of the program.
3. A form of guarantee which can be used with reference to those loans guaranteed in whole or in part by one of the armed services.
4. A rate structure approved by the armed services and ourselves, which will be used by those commercial banks that take the loans, either without guarantee, or with partial guarantee or with 100% guarantee.

All of these documents are in final shape, subject to any minor changes that may be made as a result of our having recently submitted them to the Federal Reserve Banks for their comments by wire. In other words, we expect that all of these documents approved by the armed services and ourselves will be sent by wire to all of the Federal Reserve Banks not later than Saturday of this week. The various Federal Reserve Banks, as agents for the armed services, and under the supervision of the Board of Governors, will then be ready to actively enlist the support of the private banking system in this effort beginning next week.

Because all the material above mentioned has not been technically and finally cleared in its entirety by the armed services, we would prefer not to discuss in detail these arrangements today. However, we can say that there are at present no points of difference between the armed services and ourselves in these matters and therefore we anticipate that all the material above referred to will be available for anyone interested in it some time next week.

I hope you will understand that the above remarks, which have been personally prepared by me and without consultation with anyone else, do not in any sense cover all the ground adequately. However, they may give you a few facts about this project, which has officially come into being only two weeks ago.