

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE December 9,
1944.

TO Mr. Luxford

FROM Mr. Brenner

On December 9 Mr. White, Mr. Bernstein and I met with Dr. Goldenweiser, Mr. Gardner and Miss Bourneuf to discuss the draft legislation on the Fund and the Bank.

The Federal Reserve Board people were somewhat in doubt as to the reasons for continuing the Stabilization Fund, but seemed to be satisfied with the explanation that there are some types of stabilization loans which we might wish to engage in outside the Fund. They also questioned what would happen in the event that the United States should withdraw from the International Monetary Fund or that the Fund should be liquidated. We told them that any amounts returned to the United States would go back into our own stabilization fund provided that it was still in existence at the time of repayment. I expect to check with Mr. Heffelfinger to make certain that the language we have drafted for the appropriation bill is sufficient to cause any returned funds to accrue to the stabilization fund.

It was not clearly understood why the activities of the Governors and Executive Directors would be regulated by a Board and the decisions in cases where specific United States approval was necessary would be made by the President through any agency designated. Goldenweiser and Gardner felt that the Board should have this function also. It was pointed out to them that the functions were different but that if the President wanted the Board to exercise both functions, he could so indicate, and the draft would permit it. If, on the other hand, the President wanted an independent review in cases where we have an additional veto power, he could so provide. They seemed to be satisfied with this explanation.

Several questions were raised in connection with the management of the Fund and the Bank. The powers of the Board were discussed at some length and both Mr. White and Dr. Goldenweiser felt that the provision that Governors and Executive Directors should "act pursuant to the direction of the Board" was too broad. They felt that this might make rubber stamps out of the Governors and Executive Directors and interfere with the administration of the Fund and Bank by causing them to raise each individual problem with the Board. It was suggested that the language be modified so as to provide, for example, that the Governors and Executive Directors act "consistently with general policies established by the Board".

Dr. Goldenweiser raised the question of whether a Governor or Executive Director appointed for a specific period of time could be removed by the President without the necessity of showing cause for removal. I am checking into this problem to make certain that the draft provides for free removability.

Questions were also raised as to the advisability of having Congressmen and Senators on the Advisory Committee and the necessity for having the Department of Commerce, F.E.A., and the S.E.C. represented on the Board. It is rather generally agreed that having Congressmen on the Advisory Committee would be helpful in that it would probably provide the Board with informed representation on the Hill. It was also agreed that difficulties would be encountered if Commerce, F.E.A., and S.E.C. were left off the Board.

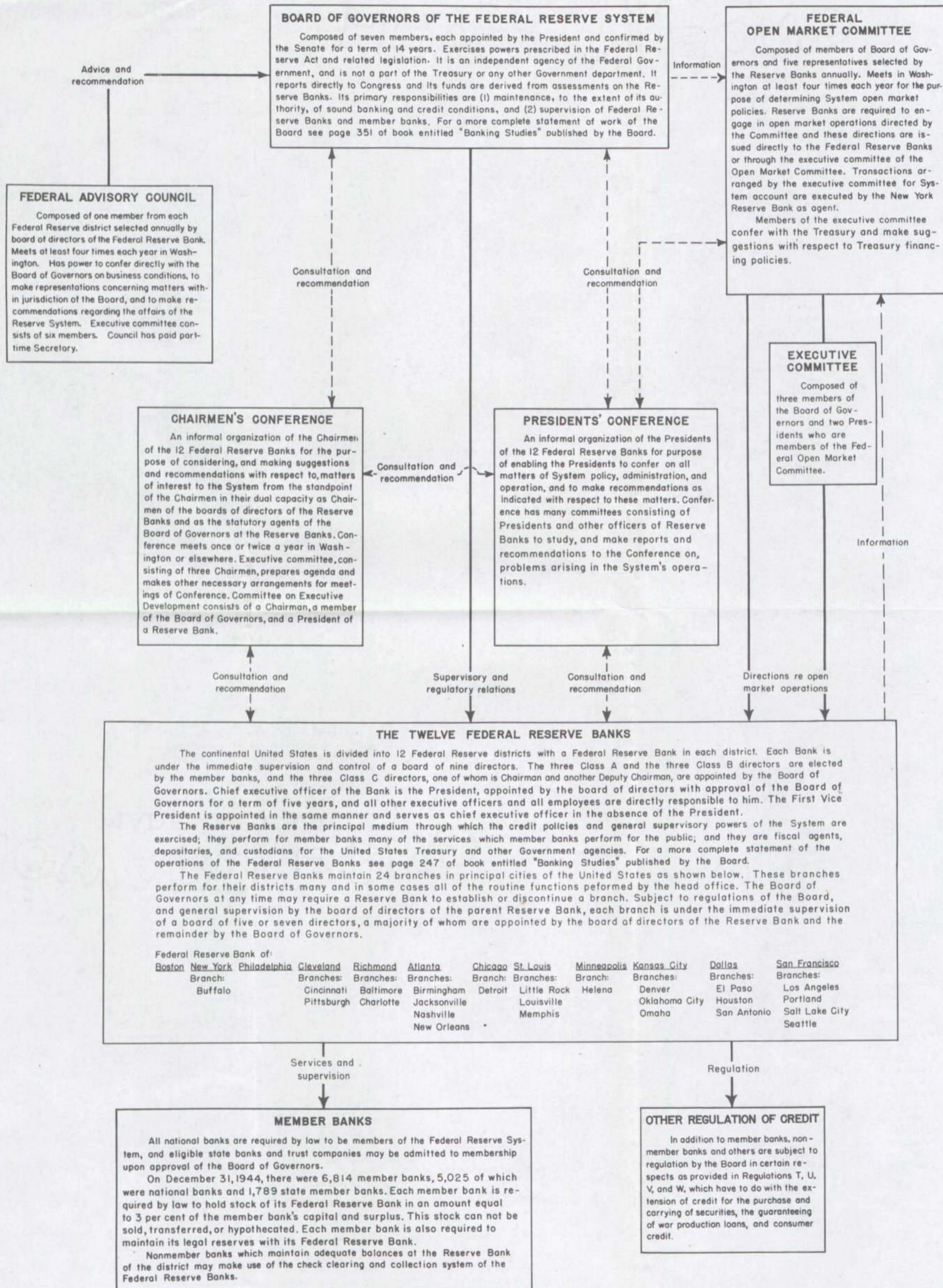
Before the people from the Federal Reserve Board arrived, Mr. White indicated that he would prefer that the stabilization fund be maintained at a level of about \$500,000,000 instead of the \$300,000,000 provided in the draft. He indicated that he would raise this question with the Secretary.

RB

Matt
Mr. Hon. S. Szymczak

THE FEDERAL RESERVE SYSTEM

The Federal Reserve Act, enacted by Congress on December 23, 1913, established the Federal Reserve System. Provision is made in the statute for the Board of Governors, the 12 Federal Reserve Banks and their branches, the Federal Open Market Committee, the member banks, and the Federal Advisory Council, which have the relationships indicated below. Statutory relationships are shown by solid lines and informal relationships are shown by broken lines.



FEDERAL RESERVE SYSTEM

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

MARRINER S. ECCLES, CHAIRMAN
RONALD RANSOM, VICE CHAIRMAN

M. S. SZYMCZAK	ERNEST G. DRAPER
JOHN K. McKEE	R. M. EVANS

CHAIRMEN AND PRESIDENTS OF THE FEDERAL RESERVE BANKS

BANK	CHAIRMAN	PRESIDENT
BOSTON	ALBERT M. CREIGHTON	RALPH E. FLANDERS
NEW YORK	BEARDSLEY RUMI	ALLAN SPROUL
PHILADELPHIA	THOMAS B. McCABE	ALFRED H. WILLIAMS
CLEVELAND	GEORGE C. BRAINARD	RAY M. GIDNEY
RICHMOND	ROBERT LASSITER	HUGH LEACH
ATLANTA	FRANK H. NEELY	W. S. McLARIN, Jr.
CHICAGO	SIMEON E. LELAND	C. S. YOUNG
ST. LOUIS.	WM. T. NARDIN	CHESTER C. DAVIS
MINNEAPOLIS	W. C. COFFEY	J. N. PEYTON
KANSAS CITY	ROBERT B. CALDWELL	H. G. LEEDY
DALLAS	JAY TAYLOR	R. R. GILBERT
SAN FRANCISCO	HENRY F. GRADY	WM. A. DAY

FEDERAL OPEN MARKET COMMITTEE

MARRINER S. ECCLES, CHAIRMAN	(CHAIRMAN, BOARD OF GOVERNORS)
ALLAN SPROUL, VICE CHAIRMAN	(PRESIDENT, FEDERAL RESERVE BANK OF NEW YORK)
ERNEST G. DRAPER	(MEMBER, BOARD OF GOVERNORS)
R. M. EVANS	(MEMBER, BOARD OF GOVERNORS)
RAY M. GIDNEY	(PRESIDENT, FEDERAL RESERVE BANK OF CLEVELAND)
R. R. GILBERT	(PRESIDENT, FEDERAL RESERVE BANK OF DALLAS)
H. G. LEEDY	(PRESIDENT, FEDERAL RESERVE BANK OF KANSAS CITY)
JOHN K. McKEE	(MEMBER, BOARD OF GOVERNORS)
RONALD RANSOM	(VICE CHAIRMAN, BOARD OF GOVERNORS)
M. S. SZYMCZAK	(MEMBER, BOARD OF GOVERNORS)
ALFRED H. WILLIAMS	(PRESIDENT, FEDERAL RESERVE BANK OF PHILADELPHIA)

Note: Alternates have been designated for the Presidents of Reserve Banks who serve as members of the Committee.

EXECUTIVE COMMITTEE OF THE FEDERAL OPEN MARKET COMMITTEE

MARRINER S. ECCLES, CHAIRMAN
ALLAN SPROUL, VICE CHAIRMAN

R. M. EVANS
M. S. SZYMCZAK
ALFRED H. WILLIAMS

Note: Alternates have been designated for members of the Committee.

FEDERAL ADVISORY COUNCIL

DISTRICT	MEMBER	BUSINESS AFFILIATION	DISTRICT	MEMBER	BUSINESS AFFILIATION
NO. 1	CHARLES E. SPENCER, Jr. VICE PRESIDENT	PRESIDENT, THE FIRST NATIONAL BANK OF BOSTON, BOSTON, MASSACHUSETTS	NO. 7	EDWARD E. BROWN PRESIDENT	PRESIDENT, THE FIRST NATIONAL BANK OF CHICAGO, CHICAGO, ILLINOIS
NO. 2	JOHN C. TRAPHAGEN	PRESIDENT, BANK OF NEW YORK, NEW YORK, NEW YORK	NO. 8	RALPH C. GIFFORD	CHAIRMAN, FIRST NATIONAL BANK OF LOUISVILLE, LOUISVILLE, KENTUCKY
NO. 3	WILLIAM F. KURTZ	PRESIDENT, THE PENNSYLVANIA COMPANY FOR INSURANCES ON LIVES AND GRANTING ANNUITIES, PHILADELPHIA, PENNSYLVANIA	NO. 9	JULIAN B. BAIRD	VICE PRESIDENT, FIRST NATIONAL BANK OF ST. PAUL, ST. PAUL, MINNESOTA
NO. 4	JOHN H. McCOY	PRESIDENT, THE CITY NATIONAL BANK AND TRUST COMPANY, COLUMBUS, OHIO	NO. 10	A. E. BRADSHAW	PRESIDENT, NATIONAL BANK OF TULSA, TULSA, OKLAHOMA
NO. 5	ROBERT V. FLEMING	PRESIDENT, THE RIGGS NATIONAL BANK, WASHINGTON, D. C.	NO. 11	ED. H. WINTON	PRESIDENT, CONTINENTAL NATIONAL BANK OF FORT WORTH, FORT WORTH, TEXAS
NO. 6	KEEHN W. BERRY	PRESIDENT, WHITNEY NATIONAL BANK OF NEW ORLEANS, NEW ORLEANS, LOUISIANA	NO. 12	GEORGE M. WALLACE	PRESIDENT, SECURITY-FIRST NATIONAL BANK OF LOS ANGELES, LOS ANGELES, CALIFORNIA