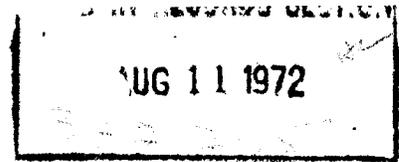


BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM



Office Correspondence

Date July 20, 1970

To Board of Governors
From Office of the Secretary

Subject: Proposed alternate plan for
direct Federal Reserve lending to
businesses and individuals.

Attached for consideration by the Board in connection with its deliberation on Federal Reserve direct lending to businesses and individuals are two additional memoranda on this subject. One is a memorandum dated July 20, 1970 from Governor Brimmer to the Board, and the second is a memorandum of the same date from Mr. Hackley to Governor Brimmer, prepared at the latter's request as an analysis of legal considerations bearing on the lending plan attached to Governor Brimmer's memorandum.

As discussed at the conclusion of the Board meeting this morning, these documents are being distributed for consideration in timely fashion by the Board.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

AUG 11 1972

Office Correspondence

Date: July 20, 1970

To Board of Governors

Subject: Direct Lending by the Federal

From Governor Brimmer *AB*

Reserve System to Business and Individual

CONFIDENTIAL (FR)

Board members will recall that I have expressed serious doubts about the wisdom of Federal Reserve direct lending to businesses and individuals under Par. 3 of Section 13 of the Federal Reserve Act. I am afraid that -- once started -- this type of direct access to Federal Reserve credit by a variety of borrowers (entailing hard-to-evaluate individual credit risks) would involve the System in a host of difficulties from which it cannot expect to extricate itself for a long time.

Yet, circumstances may require that use be made of this provision of the Act. Looking toward that possibility, I think special steps should be taken to ensure -- as far as we can -- that one policy would be followed throughout the System. (b) (5)



A copy of the plan is attached. I hope the Board would consider this approach as part of its contingency planning.

Attachment