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EXECUTIVE
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FG 267

Required Reserves and The Hunt Commission Report

Hunt Commission Proposals

-- establish, after a transition period, equal reserve requirements on demand deposits for all institutions (member banks, nonmember banks, savings and loan associations, mutual savings banks)

-- abblish legally required deposit reserves on time and savings deposits, share accounts, and certificates of deposit

Major Arguments for equalizing reserve requirements

1. Unequal reserve requirements provide nonmember banks with a competitive advantage over member banks.
2. Since demand deposits of nonmember banks are included in the money supply, unqqual reserve requirements make control of the money supply more difficult: with a given reserve base, the higher the level of demand deposits held in nonmember banks, the less stable the relationship between reserves and the money supply.

Major Arguments against equalizing reserve requirements

1. Imposing reserves on nonmember banks moves in the wrong direction. Required reserves ought to be eliminated.
2. If nonmember banks are required to hold reserves, the major distinction between national and state banking systems would be eliminated. The dual banking system would decline as banks shifted their charters from state to national charters. (Others contend that other differences in regulation and supervision would maintain the dual system.)

3. Imposing required reserves on nonmember banks would put them at a competitive disadvantage, since member banks receive other services from the Fed which, it is argued, compensate for the cost of holding reserves.

EXECUTIVE
FI 2
FG 267

March 2, 1973

Dear Carl:

Many thanks for sending the summary of the regulations which apply to the different types of Savings and Loan institutions. It will be a great help in our Hunt Report work.

With best regards,

Sincerely,

Richard D. Erb
Staff Assistant
to the President

Mr. Carl O. Kamp, Jr.
Acting Chairman
Federal Home Loan Bank Board
101 Indiana Avenue, N.W.
Washington, D.C. 20552

CC: Howard Beasley

EXECUTIVE

FG 267

FI 2

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April 4, 1973

MEMORANDUM FOR: PETER M. FLANIGAN

FROM: RICHARD D. ERB

Attached is the latest summary of legislative proposals stemming from the Hunt Commission. We hope to have ~~a~~ Troika meeting next week to obtain approval for these proposals. I heard indirectly that you were opposed to equity ownership by commercial banks. As the proposal now stands (see page 3, II 5), banks would be allowed only an indirect equity participation in connection with a loan -- e.g. an equity kicker in the form of a warrant. Once the warrant is converted to equity ownership, the equity must be sold within 18 months.

Do you want to discuss these proposals at some time?

April 4, 1973

MEMORANDUM FOR: KENNETH DAM

FROM: RICHARD D. ERB

Attached is the latest summary of legislative proposals stemming from the Hunt Commission. We hope to have a Troika meeting next week to obtain approval.

Do you want to discuss these proposals at some time?

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EXECUTIVE
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(2)

April 5, 1973

Dear Allan:

Geza told me that there was some interest within the EC in the Hunt Commission Report (enclosed are two copies). We should be submitting legislation within the next month based on the Commission's recommendations. I'm sorry we didn't have a chance to talk about the report; perhaps we can the next time I'm in Europe. If any questions arise in the meanwhile, let me know.

I haven't caught up on my work yet since returning from Europe and Japan. In fact, we're still working on the report for the President based on the trip. Tell Ernie he's missing all the fun.

Speaking of reports, I also enclosed a copy of the First Annual Council on International Economic Policy Report.

With best regards,

Sincerely,

Richard D. Erb
Assistant Director
Council on International
Economic Policy

Mr. Allan E. Wendt
U.S. Mission to the
European Communities
Avenue des Arts #23
Brussels 1040
BELGIUM

Enclosures

EF

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FG 269

June 19, 1973

MEMORANDUM FOR

DANA MEAD

Attached is some material on the Hunt Commission. What do I need to be doing about this?

Please advise.

KEN COLE

Attachment

EXECUTIVE
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PR7
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(3)

SEPTEMBER 11, 1973

FOR KEN DAM

RE: Letter to the President from George Martin, President, National Association of Home Builders

Attached is a letter which has been forwarded to us from George Martin, President of the National Association of Home Builders, requesting a meeting with the President to discuss the Hunt Commission report and the NAHB positions.

I think this is something that falls in your court and I would appreciate it if you would see that Secretary Shultz, Under Secretary Simon or yourself respond to Mr. Martin's request. I think it's obvious that it is not necessary to take the President's time to discuss Mr. Martin's concerns, but that it might be a good use of someone's time.

I'd most appreciate your assistance in seeing that Mr. Martin gets a prompt response to his letter. I'd also appreciate receiving a copy of the response.

As you know, the National Association of Home Builders will be vocal when it comes to a review of the President's new housing policy recommendations. Anything we could do to soothe him would be appreciated.

Ken, your help on this would be most appreciated. Please let me know how it comes out.

Many thanks.

Tod R. Hullin

FILE MEMO:
EF/dg

October 5, 1973

EXECUTIVE
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Reports sent to Central Files submitted by the National Association of Home Builders listed as follows:

1. The State of U. S. Housing

2. Evaluation of Federal Role in Housing and Housing Finance

3. The Long-Term Prosective and the Future of Housing

4. Long-Term Cost Relationship of Land, on-Site Labor, and Materials in Single-Family Housing

5. NAHB's Report of the President's Commission on Financial Structure and Regulation.

Filed: Oversize Attachment # 12632.

(2)

EXECUTIVE
FI 9
FG 267
FG 12

November 27, 1973

Dear Steve:

Thank you for the letter of October 18 transmitting your memorandum which compares the Administration recommendations for restructuring the U.S. financial system with the proposals originally suggested by the Hunt Commission.

It is indeed a rarity when the recommendations of a Commission are so quickly translated into a legislative proposal. The fact that the Administration's proposals so closely approximate the Hunt Commission recommendations attests to the thoughtful job which was done by you and your colleagues on the Hunt Commission.

With best wishes and kindest personal regards!

Sincerely,

Melvin R. Laird
Counsellor to the President
for Domestic Affairs

Mr. Raymond J. Saulnier
Department of Economics
Barnard College
Columbia University
New York, New York 10027

HP:mm:11/27/73

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