

*Arthur Cole on  
Warren Report*  
7/7/52 - AS

1. In terms of the preceding statements of Patman, and the known views of Murphy, this report might be taken as a model of reasonableness. In fact it is pretty reasonable, and I would say the makeup of the Committee, and the fact which became quickly apparent that the Patman line was a minority one and an unpopular one, was effective particularly in an election year.
2. May be suspicious, but despite this appearance of reason there is also a subtle attempt to play down the effectiveness of monetary policy, and to attribute to restrictive monetary policy incompatibility with the Employment Act of 1946, even while seeming to concede - in generalities - that monetary policy should be one of the principal means of achieving economic stability. That I think is what bothers Senator Douglas.
3. There is also a defense of Presidential intervention in credit policy matters, in terms of consultation and persuasion. In the hands of the White House group that too easily becomes an attempt to direct and dictate.
4. In its treatment of the Treasury when it discusses the pre- and post-Korea situation, the report seems to me to be soft to the point of bias.
  - (a) It talks about maintaining confidence in Government securities as if that were the same thing as maintaining fixed prices and yields.
  - (b) It says during most of the period the differences between the Treasury and the System were very small as seen from the outside and were concerned primarily with short term rates of interest. That reduces the differences to absurdity - when the real point at issue was whether we would have a monetary policy or not - whether the Federal Reserve System was to do its real job or peg prices for Government securities.

(c) It glosses over the actions of the Secretary of the Treasury, and the misleading statements he made concerning them in his answer to question 17 of his questionnaire. I commented on this in my testimony but it got lost in the shuffle and has never had much attention.

5. Monetary council without a mandate from Congress such as Douglas Committee advocated, dangerous for Federal Reserve System; wholly undesirable to have it set up by Executive Order and under chairmanship of Chairman of Council of Economic Advisers, a discredited body in terms of objectivity.

6. Budget and Audit sound reasonable but look like getting camel's head under the tent. In absence of any evidence of failure of present budgeting and audit procedures, look at these proposals askance.

7. Labor members - what we don't want is members of Board of Governors or Board of Directors of banks representing and acting as a pressure point for one segment of the community. Have no objection, in principle, to labor on boards, but their record as militant class interest advocates is bad.

8. Perhaps in terms of our adversaries thing they accomplished is to get this report on the record as the latest word, superseding Douglas Committee report.