TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE: June 8, 1934.

TO: Mr. Eccles.

FROM: Mr. Edmiston.

Digest of Cutting bank reform bill (S. 3744) (Introduced in Senate and House June 6, 1934.)

Purchase of F. R. Banks

Treasury to purchase capital stock of all F. R. Banks on prescribed terms.

Creation of a Federal monetary authority

Federal monetary authority created as an agency of the Federal Government.

Membership.

(1) Seven members appointed by the President (bi-partisan).

(2) Term of 14 years.

Powers.

(1) Fiscal agent of the Government.

(2) Control and supervise all banking institutions in the United States, and shall prescribe such rules and regulations not inconsistent with the law as it may deem desirable for safe and proper banking conduct.

(3) Shall have sole issue power. Within one year after passage all present currency is to be called in and destroyed. In exchange, and thereafter only, Treasury notes will be issued.

Characteristics of Treasury notes:

(a) Legal tender.

(b) Redeemable in gold or silver at price fixed by the monetary authority but only to settle foreign balances arising out of commercial transactions.

(4) Complete control over purchase and sale of gold and/or silver and in determination of foreign exchange rates.

(5) Establish and maintain an Economic Research Service.

Banking Practice

(1) One year after passage all banks must keep on hand, with Treasurer of the United States, or in F. R. Bank of its district lawful money for the whole of its demand deposits and a further 5% upon all savings or investment deposits payable after 60 days notice.

(2) Demand deposits are to be held in trust for depositors and not connected with other assets of bank.

Creation of lawful money required

The Federal monetary authority shall purchase from banks and from individuals in the United States, bonds of the Government, or any State or municipal bonds, or assets of any bank; or rediscount at $\frac{1}{2}$ of 1% so much asset obligations of any bank as may be necessary to supply the required reserves (as mentioned above).

Stabilization of Price level and maintenance of prosperity.

(1) The F. R. Banks under direction of the monetary authority shall expand demand deposits by purchase of bonds until index of prices reaches 1926 level. If index rises more than 5% above this level, the F. R. Banks may contract deposits by selling securities.

To reach the 1926 level the authority may issue currency for purposes of the Act and to pay Governmental expenses until demand deposits reach a sum equal to $250 per capita, and may further issue currency to pay Governmental expenses at a rate not exceeding 4% a year.

Effective date of Act to be February 1, 1935.