

Mr. Eccles

July 9, 1937

Board of Governors

Hearings on H. R. 7186

Mr. Solomon, Assistant Counsel

Pursuant to the request of Mr. Wyatt, I attended hearings conducted this morning by the Banking and Currency Committee of the House on the bill H.R. 7186, which would extend for two years after August 23, 1937, the authority of member banks and other insured banks to pay interest on demand deposits of public funds and trust funds in cases where the payment of interest is required by State law.

The only witness who testified was Mr. Clare Ross, Treasurer of the State of Pennsylvania, who testified in favor of the bill. It was clear from his testimony that, while he testified for a two year extension, he really favored a permanent exemption. In fact, questioning from members of the Committee brought out that Mr. Ross saw no objection to the payment of interest on any demand deposits.

It appeared that the Pennsylvania legislature recently amended the State laws with the intention of relaxing the requirement of interest on State funds wherever that requirement might conflict with Federal restrictions. However, Mr. Ross stated that there was a question whether this amendment was not technically insufficient to achieve its purpose. He based a good deal of his argument for the passage of H.R. 7186 on this possibility of a technical defect in the amendment to the State law.

The questions of certain of the Committee members, particularly Chairman Steagall (Ala.) and Congressman Hancock (N.C.), seemed to be somewhat unfavorable to the bill, although Mr. Hancock mentioned the possibility that he might propose an amendment to the bill to extend the exemption for one year instead of two. The questions of Congressman Ford (Calif.) and Congressman Patman (Tex.) were apparently more favorable to the bill.

After Mr. Ross had concluded, Chairman Steagall stated informally that Chairman Eccles had asked to be heard on the bill to destroy old Federal Reserve notes bearing the gold redemption feature, and it was agreed that Chairman Eccles would be heard on Wednesday, July 14, if agreeable to him. It was indicated that after hearing Chairman Eccles the Committee probably would go into Executive Session to dispose of the interest on deposits bill and the Federal Reserve note bill.

The Committee then adjourned until 10:30 A.M., Tuesday, July 13.

Respectfully,



Frederic Solomon,
Assistant Counsel.