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NEW ORLEANS BRANCH  
**FEDERAL RESERVE BANK OF ATLANTA**  
PRIVATE WIRE SYSTEM  
INCOMING

**ORIGINAL**

FROM

7FS

WASHINGTON DC 1034A NOV 13 1935

ELLIOTT THURSTON,

SPECIAL ASST TO CHAIRMAN ECCLES, ROOSEVELT HOTEL, NEWORLEANS

YOUR WIRE. FOLLOWING IS TEXT OF PRESS RELEASES AUGUST 21 AND AUGUST 24;  
PRESS RELEASE AUGUST 21, 1935;  
STATEMENT OF GOVERNOR ECCLES ON TITLE II OF THE BANKING ACT OF 1935 AS  
REPORTED BY THE BANKING AND CURRENCY COMMITTEE OF THE SENATE.  
TITLE II OF THE BANKING BILL OF 1935 AS RECOMMENDED BY THE ADMINISTRATION  
PROPOSED TO PLACE RESPONSIBILITY FOR THE EXERCISE OF THREE EXISTING,  
BUT, BADLY SET UP, MONETARY POWERS IN ONE BODY REMOVED FROM THE PRESSURES  
OF PARTISAN, POLITICAL OR PRIVATE BANKER INFLUENCES. ITS FUNDAMENTAL  
PURPOSE WAS TO VEST THAT BODY WITH FULL AUTHORITY TO USE THESE POWERS IN  
FOSTERING RECOVERY AND THEN IN MAINTAINING STABILITY OF BUSINESS AND  
EMPLOYMENT. FURTHERMORE, EXPERIENCE OVER A LONG PERIOD OF YEARS HAD DEMONSTRAT-  
ED THE NEED FOR VARIOUS ADMINISTRATIVE IMPROVEMENTS AND FOR THE REMOVAL OF  
CERTAIN HAMPERING RESTRICTIONS.  
AS REWRITTEN AND REPORTED BY THE SENATE COMMITTEE ON BANKING AND CURRENCY,  
TITLE II REPRESENTS A SIGNIFICANT AND IMPORTANT RECOGNITION OF THE FUNDAMENTAL  
PRINCIPLES AND PURPOSES OF THE BANKING BILL AS PROPOSED. THEREFORE, I BELIEVE  
THAT IN ITS MOST VITAL ASPECTS IT IS A DISTINCT ADVANCE IN THE DIRECTION OF

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CENTRALIZED RESPONSIBILITY AND AUTHORITY FOR THE EXERCISE OF MONETARY POWERS.

FIRST, OPEN MARKET POWERS ARE CONCENTRATED IN A CENTRAL BODY COMPOSED OF THE ENTIRE FEDERAL RESERVE BOARD TOGETHER WITH FIVE GOVERNORS OF THE RESERVE BANKS WHO MUST BE REPRESENTATIVE OF THE VARIOUS SECTIONS OF THE COUNTRY. COMPLETE AUTHORITY IS GIVEN TO THIS BODY TO INITIATE AND ENFORCE OPEN MARKET OPERATIONS ; WHEREAS, AT PRESENT THE BOARD HAS NO POWER EITHER TO INITIATE OR ENFORCE, AND ONLY THE NEGATIVE POWER OF VETO.

SECOND, THE BOARD IS GIVEN A BROAD AUTHORITY TO CHANGE RESERVE REQUIREMENTS OF MEMBER BANKS. UNDER EXISTING LAW, THIS POWER CAN ONLY BE USED AFTER THE DECLARATION BY THE PRESIDENT OF AN EMERGENCY EVERY TIME A CHANGE IS NECESSARY FOR ALL PRACTICAL PURPOSES AN UNWORKABLE ARRANGEMENT.

THIRD, THE POWER TO DETERMINE AND MAKE EFFECTIVE DISCOUNT RATES REMAINS WITH THE BOARD.

IT IS EVIDENT THAT THIS PRESENTS A SUBSTANTIAL IMPROVEMENT OVER THE EXISTING SITUATION. IT WOULD MAKE IT POSSIBLE FOR THE BOARD AND THE OPEN MARKET COMMITTEE TO FUNCTION IN THE NATIONAL INTEREST BY USING THESE POWERS SO FAR AS THEY MAY BE EFFECTIVE TOWARDS THE ACHIEVEMENT OF STABILITY IN OUR ECONOMIC SYSTEM AND THE AVOIDANCE OF DISASTROUS INFLATIONARY AND DEFLATIONARY CYCLES. THIS IS A LONG STEP IN THE DIRECTION OF INTELLIGENT MANAGEMENT OF

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OUR MONETARY SYSTEM.

FURTHERMORE, THE BILL AS REPORTED BY THE SENATE COMMITTEE RECOGNIZES THE NEED FOR BROADENING AND LIBERALIZING THE ELIGIBILITY PROVISIONS OF EXISTING LAW WHICH ARE ENTIRELY UNSUITED TO MEET PRESENT DAY CONDITIONS. LIKEWISE, THE REAL ESTATE LOAN PROVISIONS OF THE NATIONAL BANKING ACT ARE SUBSTANTIALLY IMPROVED.

IN ADDITION, THE BOARD WHICH NOW HAS NO VOICE IN THE SELECTION OF THE GOVERNORS OF THE RESERVE BANKS IS GIVEN THE AUTHORITY TO APPROVE OR DISAPPROVE OF THEIR APPOINTMENT.

IN LESS FUNDAMENTAL RESPECTS I BELIEVE THAT TITLE II, AS REPORTED BY THE SENATE COMMITTEE, COULD AND SHOULD BE IMPROVED UPON IN THE INTEREST OF PRACTICAL ADMINISTRATION AND GREATER EFFICIENCY. AS BETWEEN THE BILL AS ENACTED BY THE HOUSE AND AS PROPOSED BY THE SENATE COMMITTEE, I HAVE EVERY REASON TO BELIEVE THAT A REASONABLY SATISFACTORY MEASURE WILL BE WORKED OUT.

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FROM

PRESS RELEASE AUGUST 24.

STATEMENT OF GOVERNOR ECCLES.

ON SIGNING OF THE BANKING ACT OF 1935.

IN MY JUDGEMENT THE BANKING BILL NOW SIGNED BY THE PRESIDENT MARKS AN IMPORTANT ADVANCE IN THE DEVELOPMENT OF THE COUNTRY'S BANKING SYSTEM AND THE ADAPTATION OF MONETARY ADMINISTRATION TO PRESENT DAY CONDITIONS AND NATIONAL NEEDS. IT WAS REALIZED AT THE OUTSET THAT THE MEASURE WAS FAR FROM BEING THE LAST WORD IN CREATING A PERFECT BANKING SYSTEM. IT WAS ALSO REALIZED THAT WIDESPREAD CONTROVERSY WAS UNAVOIDABLE, AS IT ALWAYS HAS BEEN, WHENEVER PROPOSALS HAVE BEEN PUT FORTH INVOLVING MATERIAL CHANGES IN THE BANKING AND MONETARY SYSTEM. THE FUNCTION OF BANKING AND MONEY IS PERHAPS THE MOST IMPORTANT OF ALL IN OUR ENTIRE ECONOMY. IT IS AT THE VERY FOUNDATION OF OUR INTER-DEPENDENT INDUSTRIAL SOCIETY. THE SUBJECT IS COMPLICATED IS DIFFICULT TO UNDERSTAND. IT ALWAYS HAS BEEN AND PRESUMABLY ALWAYS WILL BE BESET BY SHARPLY CONFLICTING THEORIES AND OPINIONS. IN VIEW OF THE INEVITABLE CLASH OF DIVERGENT VIEW POINTS, AND THE INITIAL OPPOSITION TO ANY FEDERAL RESERVE LEGISLATION AT THIS TIME, THE RESULTANT MEASURE SEEMS TO ME TO BE A MOST SATISFACTORY ACCOMPLISHMENT UPON WHICH THE MEMBERS OF THE BANKING AND CURRENCY COMMITTEES OF THE SENATE AND HOUSE AND THE CONFEREES, WHO HAVE WORKED TIRELESSLY AND CONSCIENTIOUSLY TO RECONCILE DIFFERENT POINTS OF VIEW IN ACCORDANCE WITH WHAT THEY BELIEVED

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TO BE IN THE PUBLIC INTEREST, ARE TO BE CONGRATULATED.  
CONSIDERING THE OBJECTIVES AND PURPOSES OF THE LEGISLATION AS ORIGINALLY  
PROPOSED AND AS FINALLY ENACTED, I AM VERY WELL SATISFIED WITH THE OUTCOME.  
BY PROVIDING FOR A CENTRALIZED AUTHORITY OVER AND FIXED RESPONSIBILITY FOR  
MONETARY MANAGEMENT, FOR A BROADENING OF THE BASIS FOR CREDIT EXTENSION  
BY THE BANKING SYSTEM, AND FOR BETTER ORGANIZATION OF THE FEDERAL RESERVE  
SYSTEM. A LARGE CONTRIBUTION HAS BEEN MADE TO THE SOLUTION OF ONE OF THE  
MOST IMPORTANT PROBLEMS CONFRONTING THE COUNTRY TODAY.

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AM USING THIS METHOD OF TRANSMITTAL SINCE NO AIR MAIL LEAVING WASHINGTON  
TODAY ACCOUNT RAINS.

LAWRENCE CLAYTON,

ASST TO THE CHAIRMAN.

1033A

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