

C O P Y

February 20, 1958

Hon. Brent Spence
Chairman
Committee on Banking and Currency
House of Representatives
Washington, D. C.

Dear Mr. Chairman:

Attached is a corrected copy of my testimony before the Committee on Friday, February 7, 1958, in which I have inserted the remainder of the exhibits to which I referred.

While I have put into this record some facts of a scandalous nature, this is not because, as you previously suggested, I derive any enjoyment from setting off "a hydrogen bomb". Truth is that these facts, and others of a like nature, are being whispered about, and have been for some time, and our Committee could not long continue sweeping them under the rug, even if we should wish to. Furthermore, I know from first-hand sources that these matters are causing some acute embarrassment to a number of people on the inside of the situation, including even the Wall Street insiders who are actually profiting from it, as well as people in the Federal Reserve System.

It is my suggestion that the Committee call the members of the Federal Reserve Board and the Presidents of the Federal Reserve Banks, or at least those who are presently members of the Open Market Committee, and place squarely on them the burden of making some suggestions for corrective legislation.

Similarly, I would suggest that the Committee also call the Comptroller of the Currency, both for a further consideration of several points about which Mr. Gidney seems to have been in error at the time he testified--particularly on the question of whether there is any audit supervision over the handling of Federal Reserve currency by his Office--and to invite Mr. Gidney's suggestion for legislation to put this and other functions of his office under audit supervision.

As for a recodification bill, if the Committee feels under compulsion to report one, such a bill could readily be drafted without having in it substantive changes in present law. In this event, it would be my suggestion that we refer the matter to the Subcommittee on Revision and Codification of the Statutes of the United States (of the Committee on the Judiciary of the House) asking them to whip into shape such a recodification bill. After all, this is the official committee for such work and it is admirably equipped with expert assistance to do such a job. Furthermore, by that Subcommittee's handling the matter, we might avoid causing that Committee an unnecessary delay in getting out its new codification which is now nearing completion. As you know, the present Code of the United States is now 6 years old and the new general codification, which is due by the end of this session of Congress, is badly needed, and should not be disrupted or delayed.

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On the other hand, if the Committee is going to seriously consider reporting a Financial Institutions bill which contains a number of major changes in law such as those now in the bill, then I think we should have an opportunity to question Mr. Cravens and perhaps some of the other members of the Advisory Committee which he headed. The present bill would make a number of changes in existing law, the meanings of which I still do not know, and I believe that we should have an opportunity to learn from the people who drafted the bill what the purposes and intended effects of these changes are.

Mr. Chairman, as I see it, all of the Members of our Committee--both majority and minority members--are placed in a most untenable position by some of the conditions which have grown up in the Federal Reserve System and in the other Federal agencies having supervisory responsibilities over banks and banking. The fact that the Federal Reserve is carrying on under-the-counter trading in Government securities with a small club of private speculators, to the tune of \$25 billion in Government funds annually, without public reporting of even the prices at which these trades are made, will be most repugnant to the American people. The people in my part of the country will not even appreciate the fact that Federal Reserve banks are having a free hand in the till of the United States Treasury. Since these are matters which should concern each Member of the Committee, I am sending a copy of this letter to each Member.

Sincerely yours,

/s/ Wright Patman
Wright Patman

Enclosure