

REC'D RECORDS SECTION

APR 9 1957 466

M E M O R A N D U M

TO: Board of Governors

April 8, 1957

FROM: Frederic Solomon

SUBJECT: Request for report on H.R. 26 --
Patman bill to increase Board members
from 7 to 12, abolish FOMC, and transfer
its functions to Board.

The Board has received a request from Chairman Spence of the House Banking and Currency Committee for a report on H.R. 26, a bill introduced by Congressman Patman to increase the number of Board members from 7 to 12, abolish the FOMC, and transfer its functions to the 12-man Board.

This bill is identical with H.R. 569 of the 84th Congress, on which the Board reported to Mr. Spence on January 3, 1956, and ordinarily it would seem appropriate to refer to the earlier report and state that the Board's views are the same. However, the earlier report, of which a copy is attached for convenient reference, took the position that the changes proposed in the bill should not be made without "extensive hearings" to permit full expression of opinion and consideration. In view of the developments in the House of Representatives with respect to such hearings, it may be desirable to avoid such a reference at this time. Accordingly, there is attached a draft of a reply which would state that the Board is opposed to the bill, but would not refer to the possibility of hearings on the subject.

Attachments

C O P Y

June 3, 1956.

The Honorable Brent Spence,
Chairman, Committee on Banking
and Currency,
House of Representatives,
Washington 25, D. C.

Dear Mr. Spence:

In response to your request for the Board's views on H. R. 569, the members of the Board have asked me to advise your Committee that they do not favor enactment of this measure which would increase the number of Board members from seven to twelve, abolish the Federal Open Market Committee, and transfer its functions to the twelve-man Board.

As you know, the present Board and Committee structure is the product of much constructive thought and action by statesmen, economists, bankers, businessmen, and other leaders and has been arrived at after long consideration and debate on the part of the Congress. It should not be fundamentally changed without extensive hearings to permit comprehensive expression of opinion by bankers, businessmen, economists, and others interested in this important subject and full consideration of the views of members of the Congress and officials of the Federal Reserve System. This is especially so because the questions raised by H. R. 569 are of such far-reaching significance to the economy. In our judgment, the System's organizational structure should be changed only if such hearings and study should develop an unquestionably better organization.

The Board's staff has prepared an historical memorandum on the questions raised by H. R. 569 and we are enclosing copies for the information of the Committee.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Enclosures

D R A F T

The Honorable Brent Spence,
Chairman, Committee on Banking
and Currency,
House of Representatives,
Washington 25, D. C.

My dear Mr. Chairman:

In response to your request for the Board's views on H. R. 26, the members of the Board have asked me to advise your Committee that they oppose enactment of this measure which would increase the number of Board members from seven to twelve, abolish the Federal Open Market Committee, and transfer its functions to the twelve-man Board.

There is no reason to believe that the form of organization proposed in the bill would be superior to the present Board and Committee structure, which, as you know, is the product of much constructive thought and action by statesmen, economists, bankers, business men, and other leaders and has been arrived at after long consideration and debate on the part of Congress. On the contrary, a Board consisting of twelve members, as proposed in the bill, would be so unwieldy as to impair seriously the ability of the Federal Reserve System to discharge its responsibilities. The Board is opposed to such an enlargement of the size of the Board, as well as to transfer of the functions of the Federal Open Market Committee to the Board, and believes that enactment of the bill would be contrary to the public interest.

Sincerely yours,

4/8/57

Wm. McC. Martin, Jr.