

PROPOSED STATEMENT BEFORE SENATE COMMITTEE RELATIVE TO  
APPOINTMENT AND TERM OF GOVERNOR OF FEDERAL RESERVE BOARD

There is a much misunderstood provision in the bill introduced for the purpose of making the position of Governor of the Federal Reserve Board more attractive to competent men with banking experience. This provision states that when the Governor is no longer designated as Governor by the President, he shall no longer be a member of the Federal Reserve Board and shall be considered to have served out his term. This provision would make it possible for a Governor, if he be drawn from the banking field, to reenter the banking business without having to wait for two years when he is no longer designated as Governor of the Federal Reserve Board.

There has been a great deal of discussion about the fact that this makes the Board a more political Board. You know, gentlemen, as well as I do that no man would stay on the Board if the President of the United States wished to appoint someone else in his place. The present act provides that the President shall designate one of the appointive members as Governor of the Board and this has been consistently interpreted to mean that the Governor serves as such at the pleasure of the President. It seems to me to be immaterial whether a Governor has or has not technical authority to stay on the Board, if the President prefers to have someone else as Governor, because no person who is qualified for that position would choose to remain in these circumstances.

The bill as reported in the House has modified this provision so that the Governor could retain his position on the Board, if he were not redesignated, but provided that in such a case, if he resigned, he would be permitted to resume his banking connection without the two years' delay. The solution adopted by the House would be entirely satisfactory to me and would dispose of one of the most widely used talking points of those who claim that this bill introduces political domination into the Federal Reserve System.