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FROM _____

REMARKS:

October 2, 1945.

Original copy of this memo was left with
Mr. John Snyder by Chairman Eccles today.

CHAIRMAN'S OFFICE

REORGANIZATION OF FEDERAL BANKING AGENCIES

Reorganization of Federal banking machinery, as recommended in the Annual Report of the Board of Governors of 1938, has become increasingly urgent looking to reconversion and the postwar world. If, as appears probable, a reorganization bill is passed by Congress without exempting the Federal banking agencies, an effective and efficient reorganization in this field can be accomplished by:

1. Transferring major banking functions of the Comptroller of the Currency to the Board of Governors and abolishing that office.
2. Substituting the Board of Governors for the present Board of Directors of the FDIC, leaving its corporate entity intact.
3. Transferring certain banking functions of the Treasury with respect to licensing banks, etc., to the Board of Governors.

The principal reasons for taking these three relatively simple steps are:

1. One agency instead of three would be able to speak for the Government in banking matters. This will make for unified policy, for greater efficiency, and for avoidance of delays, frictions and cross-purposes inherent in divided but closely related functions.
2. All the reasons, notably to unify, simplify, and otherwise improve Government administration, apply forcibly in the banking field as in other previously accomplished or contemplated reorganizations.
3. The Federal Reserve cannot be as effective as it needs to be in carrying out national credit and monetary policies in the banking field so long as supervisory and regulatory powers are divided with two other Federal banking agencies. All these interrelated powers should be under one administrative control if they are to have their full influence in postwar policy, particularly in helping to combat either inflation or deflation.
4. Substantial economies in manpower and facilities will result from merging administrative, legal, statistical, examination and other functions of the three agencies in one headquarters in Washington. The Federal Reserve Building is already available to be one Federal banking headquarters in Washington, while the twelve Federal Reserve Banks and their branches would provide decentralized regional headquarters in place of the scattered offices now maintained for the FDIC as well as the Comptroller of the Currency.
5. If Federal banking organization is to be improved, it must be accomplished under a reorganization bill by executive order, since it would be difficult and probably impossible to accomplish it through the legislative

mill due to political pressures from entrenched agency interests or from banking groups which seek to benefit from divided authority.

6. If the Chairmanship of the FDIC is left temporarily vacant or, alternatively, occupied by an appointee favorable to reorganization, the above plan can be effected with a minimum of difficulty.

(Subordinate details have been omitted for the sake of brevity, but are indicated in an attached memorandum, entitled "Consolidation of Federal Agency Functions Relating to Bank Supervision." Attached also is a chart which graphically shows the divided and overlapping authorities in the present setup of the Federal banking agencies.)

10/1/45
ET:b