Form F. R. 511

TO ______________________________

FROM ______________________________

REMARKS:

10/11/45 - Taken to White House for conference with President Truman, but not left with him.

CHAIRMAN'S OFFICE

REORGANIZATION OF FEDERAL BANKING AGENCIES

In its 1938 report to Congress, the Federal Reserve Board described what it called the "crazy quilt" of conflicting powers, jurisdictions and overlapping authorities in the Nation's bank supervisory machinery. The Federal machinery, divided among three separate agencies, urgently needs reorganization in order to function efficiently, economically and effectively in the period of reconversion and to meet the needs of the postwar world. Unless the pending Reorganization Bill passes Congress without exempting any one of the three Federal banking agencies, nothing constructive can be done. The Reserve Board, by letter to the respective chairmen of the committees having charge of the legislation, specifically opposed exemptions. The FDIC, however, campaigned for and succeeded in obtaining in the House bill what amounts to an exemption of itself which would preclude any intelligent reorganization.

The principal reasons for effecting a reorganization of Federal banking agencies through a reorganization bill may be summarized as follows:

1. Instead of three separate agencies, as at present, there should be one Federal agency able to speak for the Government in banking matters and capable of properly coordinating Federal banking and monetary policy with fiscal and other governmental programs and policies.

2. Such a reorganization would make for unified, instead of what too often have been conflicting, banking policies in the past; it would make for far greater efficiency and avoidance of delays, and of needless frictions and cross-purposes inherent in the present closely related, yet divided, functions of the Federal banking agencies.

3. Unless national monetary and credit policy is supplemented and supported by bank supervisory and regulatory policy, it cannot be properly carried out or coordinated with fiscal and other governmental policies designed to achieve stable economic progress in the postwar world.

4. One administrative authority is essential if there is to be the necessary coordination of credit, monetary and regulatory powers now vested in the three separate agencies which are motivated by different agency interests and conceptions of public interest.

5. Substantial economies in manpower and facilities would result from merging the administrative, legal, statistical, examination and other functions now dispersed among the three agencies and operating in three separate Washington headquarters and in multiple field offices throughout the country.

6. If Federal banking machinery is to be improved, it must be accomplished under the Reorganization Bill and by Executive Order thereunder, since it would be extremely difficult and probably impossible to bring it about through the usual legislative process because of political pressures from entrenched agency interests and from banking groups which seek to benefit from divided authority.

The foregoing objectives could be most effectively achieved by taking the three following relatively simple steps in reorganizing the Federal banking agencies:

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.

October 5, 1945.