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not used

May 19, 1936

SPECIAL COMMERCE COMMITTEE'S REPORT ON PERMANENT MONETARY POLICY

Reasons why it should not be issued

1. It is inappropriate to issue a report of an official committee of the Department of Commerce on monetary policy, for which the President, the Secretary of the Treasury, and the Federal Reserve System are responsible, without consultation with the responsible authorities.

2. The report is not the result of investigation, but a reiteration of recommendations made by the Committee for the Nation two and three years ago and incorporated in a bill introduced in the House by Mr. Goldsborough in January 1934. The committee making the report includes important members of the Committee for the Nation.

3. The report is not consistent with legislation passed on the Administration's recommendations, such as the Gold Reserve Act of 1934 and the Banking Act of 1935, since the proposal would vest upon a newly constituted monetary authority the authority distributed by these acts between the President, the Secretary of the Treasury and the Federal Reserve System.

4. Publication of the report would inject monetary issues into the campaign and would have a disturbing effect on business.

5. The publication might complicate negotiations with foreign countries.

6. The principal recommendation of the committee is inconsistent with the constitutional power of Congress to determine the value of money, since the committee would give this power permanently to a monetary authority.

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SPECIAL COMMERCE COMMITTEE'S REPORT ON PERMANENT MONETARY POLICY

<u>Reasons why it should not be issued</u>

A special committee of members of the Business Advisory Council of the Department of Commerce has just prepared a report on a permanent monetary policy for the United States. This report has been given to all the members of the council, some 50 in number, and a copy has been submitted to the President by Secretary Roper, who deems it desirable to give the report the earliest possible release, because of the danger that "as usual there may be leaks which would destroy the effectiveness of a general national release".

This is an extraordinary proceeding to say the least. Without going into the merits of the proposal, reasons for not issuing the report at this time may be briefly stated as follows:

1. A report on monetary policy is about to be issued by an official committee of the Department of Commerce on a subject in which responsibility is vested in the Secretary of the Treasury, the Federal Reserve System, and the President. Neither the Secretary nor the Chairman of the Board of Governors of the Federal Reserve System has had an opportunity to examine the report, and the President is asked to "peruse" it promptly so as not to delay its publication and spoil the effect. It is an attempt to involve the President in a position on monetary policy without consulting with those of his advisers who have responsibility in the matter.

2. The report, which is supposed to represent the product of a year's intensive study, consists of repeating proposals and arguments made two and three years ago by the Committee for the Nation. The bill recommended is substantially the same as that proposed by the Committee for the Nation and introduced in the House by Mr. Goldsborough on January 29, 1934. The House Banking and Currency Committee held and published hearings on this bill.

In substance it proposes the creation of a Monetary Authority which shall have power to fix the official price of monetary metals and also have control over the rediscount rate, open-market operations, and member bank reserves.

3. The proposal amounts to a reversal of the Administration's position established by the Gold Reserve Act of 1934 and the Banking Act of 1935. It would create a Monetary Authority to perform the functions, which by the former act were entrusted to the President and the Secretary of the Treasury, and also the functions which by the latter act were made the responsibility of the Board of Governors and the Federal Open Market Committee of the Federal Reserve System.

4. This Monetary Authority would supersede the Board of Governors who have recently been appointed to the reorganized Board with the understanding that the duties and responsibilities placed on the Board by the Banking Act of 1935 would be theirs.

5. Publication at this time of a proposal under official auspices to change the Administration's policy in monetary matters and the agencies for carrying out this policy would be embarrassing to the Administration and offer opportunities for partisan attacks. It would not contribute to the progress of recovery.

6. Such publication might complicate any negotiations with foreign countries in regard to monetary matters.

7. The report consists largely of a collection of ex parte quotations, taken out of context, mostly from British writers and the reports of British investigations, with little reference to present conditions in this country.

8. Although the report is much impressed by British precedents, the committee's proposal would depart not only from British precedent but from the precedent of all other countries by taking the right to determine the value of the nation's money from the legislature and giving it permanently to a monetary authority.