

ASSISTANT SECRETARY OF THE TREASURY

Dear Warriner: -

Many thanks,  
your memo. is  
extremely interesting,  
in fact stimulating.

WJH

## Summary of memorandum to the President

1. Banking situation, dealt with on emergency basis, needs to be put on permanent basis before ending bank holiday.
2. Banking system should be integral part of Government mechanism to meet domestic or internationally created emergencies.
3. Government lacks power to cope with foreign capital; gold inflow of 7 billions in last 5 years; multiplication of Federal agencies; conflicting jurisdictions; discriminations against member banks; competition in laxity inevitable when banks can at will escape supervision; Government cannot make policy effective; easy money policy frustrated by contrary examination-investment policies.
4. Need for simplification greater than ever due to increase in Federal agencies; precedents in Farm Credit Administration; Home Loan Bank Board. Chart.
5. Inadequate power to absorb impact of foreign capital, except as Treasury sterilized; unpopular; would increase interest rates, add to public debt.
6. Stop silver purchases; Mining Congress resolutions.
7. Bank examination and investment policy contrary to easy money policy; agreement of last spring requires sympathetic administration; these policies must be closely integrated with monetary policy.
8. Action needed at this session; grave risk to let situation go until after 1940; give opposition issue.
9. Procedure; President's message; Reserve Board should report facts; this approach preferable to attempt to get agreement of Federal agencies; Congress jealous of prerogatives; prearranged Administration bill might provoke partisan attack; better to put responsibility up to Congress which will be to blame if it fails to act; Administration would get credit for legislation if Congress acts.
10. Form of legislation; transfer Comptroller's and Reserve examining functions to FDIC; interlock FDIC and Reserve Board, giving former supervisory and latter regulatory powers; cover all insured banks into Reserve System, abolishing membership as such but requiring insured banks to carry reserves with Reserve banks, exempting from insurance assessments; take bankers off Reserve bank boards; abolish stock, letting System build up capital out of earnings, surplus to be paid annually into Treasury.
11. Would also recommend power to deal with foreign government or central bank balances; restoration of power to buy Treasury bills directly from Treasury.
12. Important thing is to solve problems; if better way available than foregoing, ready to accept; would not wish to go contrary to President's wishes, but would like moral support.
13. Retention of Reserve System probable; adequate facilities, staff, personnel; Board named by President; have responsibility without power; untenable position.
14. Chairman's obligation to make facts known to President; question of reappointment; failure to report situation to Congress would imply ignorance or fear to do so.