

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date September 15, 1938

To Chairman Eccles

Subject: Banking Legislation

From Ronald Ransom

Attached is a mimeographed copy of a memorandum from Miss Rackstraw prepared at my request and the attached list of references therein referred to covering material on the origin of the Federal Reserve Act.



A handwritten signature in dark ink, appearing to read 'R. Ransom', is written over a horizontal line. The signature is stylized with a large, looping initial 'R'.

OFFICE CORRESPONDENCE

MEMORANDUM

September 14, 1938.

To: Governor Ransom Subject: Genesis of the Federal
From: Miss Rackstraw Reserve Act.

In making up the attached list of references to material on the origin of the Federal Reserve Act I had hoped to be able to limit its scope by beginning with the activities of the Aldrich committee, but I found there were so many plans and proposals leading up to the Aldrich bill that it seemed necessary to turn back to the Monetary Conference in Indianapolis in 1897.

Here was considerable discussion on fundamentals - the need for a safe and elastic currency, and an attempt to marshall sentiments expressed by business men and the press as to measures for bringing about currency reform. Recommendations of the conference were presented under the chairmanship of Laurence Laughlin.

During the next decade, some growing agreement developed out of minor plans, with considerable divergence of views, some including central bank proposals. This agreement was expressed in the Aldrich committee report.

The committee reports and hearings on the Glass-Owen bill have been indicated to show how the act emerged from the original draft into its final form and how many of the men who had been advocating legislative changes brought their experience and their views to the legislators.

GENESIS
of the
FEDERAL RESERVE ACT

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A Selected List of References

Bryan, William Jennings. Guaranteed deposits: speech delivered at Topeka, Kansas on August 27, 1908.

One of many urgent pleas for Federal guarantee made by Bryan. See also: Tumulty, Joseph P. Woodrow Wilson as I knew him.

Cleveland, Frederick Albert. The bank and the Treasury: bank capitalization and the problem of elasticity. New York, Longmans Green, 1908. 371 p.

pp. 291-371. Contain an appendix of documents showing various plans of proposed reform, from the Baltimore Plan of 1896 to Aldrich bill of 1908.

Conway, Thomas. Operation of the new bank act by Thomas Conway and Ernest M. Patterson. Philadelphia, Lippincott, 1914. 431 p.

pp. 19-20. "Act bears more resemblance to the Owen draft than to any of the others".

Cowperthwait, J. Howard. Separate Reserve Associations, non-political, preventive of financial panics, suitable to all American conditions. New York, Author, 1912. 48 p.

In our country of vast and varied interests a system of separate reserve associations is superior to a system of one great association with branches.

Fowler, Charles N. Address on the financial situation before the Illinois Manufacturers' Association at Chicago, December 10, 1907. New York, 1908. 40 p.

Central bank not essential. Advocates proper bank reserves, bank unification and cooperation.

----- The United States reserve bank. Washington, Hamilton Book Company, 1922. 88 p.

p. 9. "First draft of Federal Reserve Act was made by Mr. Fowler who introduced the bill on March 29, 1910". Fowler bill reviewed in Willis: Federal Reserve System, chapter 7.

Garrison, Elisha Ely. Roosevelt, Wilson and the Federal Reserve Law. Boston, Christopher Publishing House, 1931. 367 p.

Story of the author's relations with Theodore Roosevelt, Woodrow Wilson, and other public men, principally as related to the development and writing of the Federal Reserve Law.

Glass, Carter. Adventure in constructive finance. New York. Double-day, 1927. 423 p.

In which Glass takes exception to Professor Seymour's claim that Colonel House was responsible for the Federal Reserve Act. His own and President Wilson's part are emphasized.

----- The genesis of the Federal Reserve law: address at annual convention of American Bankers Association held at Richmond, Virginia, October 14 and 15, 1914.

In: Commercial and Financial Chronicle, Bankers' Convention Section, Volume 99, October 24, 1914.

----- A Republican invention exposed: speech in House of Representatives, September 7, 1916. Washington, G.P.O. 1916. 32 p.

Repudiates charge that Glass bill was based on recommendations of National Monetary Commission. Asserts Aldrich bill was not original, that essential ideas of it and of Federal Reserve Act were considered long before.

Indianapolis. Monetary Convention, 1897. Report of the Monetary Commission of the Indianapolis convention of Boards of Trade, Chambers of Commerce, Commercial Clubs, and other similar bodies of the United States. Chicago, University of Chicago press, 1898. 608 p.

pp. 49-59. Plan of currency reform.

pp. 60-74. Bill embodying the Commission's proposals.

Ireton, Robert Emmett. A central bank. New York, Anthony Stumpf Publishing Company, 1909. 216 p.

pp. 85-112. Plans for a central bank include: New York Chamber of Commerce plan, George Reynold's plan, William B. Ridgeley's plan, George E. Robert's plan, Warburg's plan and others.

King, Frederic L. True origin of the original Federal reserve banking and currency plan, written for President Wilson. Philadelphia, 1932. 28 p.

The writer claims that original fundamentals embodied in his draft submitted to President Wilson were used in the framing of the act.

Laughlin, J. Laurence. Banking progress. New York, Scribner, 1920. 349 p.

Chapter 8, pp. 143-159. Political history of act.

Chapter 9, pp. 160-212. Proposed bill prepared by Laughlin and submitted to Glass subcommittee.

Laughlin, J. Laurence. Banking reform. Chicago, National Citizens' League, 1912. 428 p.

Contains appendix on National Citizens' League, The League's plan of campaign and objectives in reform.

- - - - - The Federal Reserve Act: its origin and problems. New York, Macmillan, 1933. 400 p.

Part I, pp. 1-192. Origin (1910-1914). Reviews the work of the Aldrich group, the National Citizens' League ... and of Willis in drafting the bill.

Muhleman, Maurice Louis. Monetary and banking systems. New York, Monetary Publishing Company, 1908. 218 p.

pp. 198-212. Abstracts of proposed plans include several for a central bank.

New York State Bankers Association. Bill to incorporate the National Reserve Association of the United States presented to the members of the Association (group 8) at annual banquet, January 15, 1921. New York, Livermore and Knight Co., 1912 (?). 59 p.

"Currency legislation should provide for three fundamentals - Currency based upon and responsive to local demands - Credit insuring a market for early maturing commercial paper."

Noyes, Alexander D. War period of American finance 1908-1925. New York, Putman, 1926. 459 p.

Preface gives acknowledgment to "Senator Carter Glass, author of the Federal Reserve Law".

pp. 33-50. Noyes reviews reform proposals of Pujo committee, Aldrich, and their relation to Federal Reserve Act.

Owen, Robert L. The Federal Reserve Act. New York, Century, 1919. 107 p.

Claims that recommendations and suggestions made by author were followed in Federal Reserve Act.

Roberts, George E. A Central Bank of Issue: For: Honorable George E. Roberts, Against: Professor O. M. W. Sprague. New York, Bankers Publishing Company, 1910. 39 p.

Seymour, Charles. Intimate papers of Colonel House. Boston, Houghton-Mifflin, 1928. 4 vols.

Volume I, pp. 160-175. Colonel House's connection with Federal Reserve Bill. Book attacked by Glass in his "Adventure in Constructive Finance".

Sprague, Oliver Mitchell Wentworth. Banking reform in the United States: a series of proposals including a central bank of limited scope. Cambridge, Harvard University press, 1913. 176 p.

Central bank patterned after European system held not suitable to our needs. Presents a plan of a bank with limited scope.

Tumulty, Joseph P. Woodrow Wilson as I Knew Him. Garden City, Doubleday, 1921. 553 p.

pp. 175-181. Indicate Bryan's attitude on Federal Reserve legislation, his objections to some features, advocacy of others, and final powerful support of bill.

U. S. Comptroller of Currency. Central bank of issue and reserve.

In: Annual report of Comptroller, 1907.

pp. 71-79. A statement of William B. Ridgeley that remedy for conditions leading to panic would be improvement of system of reserves.

U. S. Congress. 63rd. 1st Session. A series of reserve bills introduced in Senate and House prior to passage of Federal Reserve Act.

Of possible interest in showing coordination of major points.

U. S. Congress. Senate. Banking and Currency Committee. Banking and currency; report of committee ... on H.R. 7837, November 22, 1913. Washington, G.P.O., 1913. 3 parts.

(U. S. Congress. 63rd. 1st Session. Senate Report 133)

U. S. Congress. House. Banking and Currency Committee. Banking and Currency reform; hearings before the subcommittee ... 62nd Congress 3rd Session, charged with investigating plans of banking and currency reform and reporting constructive legislation thereon. Tuesday, January 7 - February 28, 1913. Washington, G.P.O., 1913. 745 p.

U. S. Congress. House. Banking and Currency Committee. Changes in the banking and currency systems of the United States; report of committee ... together with views of the minority on H.R. 7837, September 9, 1913. Washington, G.P.O., 1913. 166 p.

(U. S. Congress. 63rd. 1st Session. House Report 69)

U. S. Congress. House. Committee of Conference. Report of Committee of Conference of the two houses of Congress on the Bill H.R. 7837, December 22, 1913. Washington, G.P.O., 1913. 31 p.

(U. S. Congress. 63rd. 2nd Session. House Report 163)

U. S. Congress. Senate. Banking and Currency Committee. Banking and currency; hearings before committee ... 63rd Congress. 1st Session on H.R. 7837 (S. 2639) September and October, 1913. Washington G.P.O., 1913. 3 volumes.

- - - - - Banking and currency legislation: miscellaneous suggestions received by the committee ... 63rd Congress. 1st Session respecting proposed currency reform. Washington, G.P.O., 1913. 200 p.

- - - - - Replies received by the committee ... to questions submitted by members of the committee. Washington, G.P.O., 1913. 124 p.

Shows some concentration of opinion on essential points.

- - - - - Banking and currency legislation: letter from Chairman (Owen) of committee ... 63rd Congress. 1st Session, relative to his bill S. 2639.

- - - - - Letter to Mr. Joseph T. Talbert (Sen. Doc. 144, 63rd Congress, 1st Session)

- - - - - Statement of Owen in regard to bill S. 2639 (Sen. Doc. 117, 63rd Congress. 1st Session)

- - - - - Criticisms and suggestions received by committee on bill S. 2639. Washington, G.P.O., 1913.

U. S. Federal Reserve Board. Comparative statement of the Aldrich Monetary Commission Bill and the Federal Reserve Act.

In: Mimeographed Letters, 1915.

U. S. National Monetary Commission. Letter from Secretary of the National Monetary Commission transmitting pursuant to law, the Report of the Commission; with suggested plan for monetary legislation. Washington, G.P.O., 1911.

(U. S. Congress. 61st, 3rd Session. Sen. Doc. 784; and 62nd. 2nd Session. Sen. Doc. 243)
Nelson W. Aldrich: Chairman.

Untermeyer, Samuel. Who is entitled to the credit for the Federal Reserve Act: an answer to Senator Carter Glass. New York, Yonkers, 1927. 40 p.

Senator Robert L. Owen credited with being "Author and Draftsman" of the bill.

Warburg, Paul M. Federal Reserve System: its origin and growth. New York, Macmillan, 1930. 2 volumes.

Volume I, pp. 3-10 of introduction; pp. 11-423 (Chapters 1-10)
Volume II, pp. 3-4 of introduction. pp. 71-91. Seligman gives

Warburg credit for introducing discussion of central reserves and rediscount. His suggestions for a bill for modified central bank, April, 1908.
pp. 165-179. Principles that must underlie monetary reform, November 12, 1910.
pp. 237-270. Owen-Glass Bill as submitted to the Democratic Convention, October 1913. (Showing how this bill differed from the Aldrich Bill)

Willis, Henry Parker. The Federal Reserve System: legislation, organization and operation. New York, Ronald Press, 1923. 1765 p.

Book I. Passage of Federal Reserve Act.
See particularly; Chapter 3, Movement toward scientific banking; Chapter 4, National Monetary Commission; Chapter 7, Preliminaries to the Act. Chapter 22, pp. 523-544, Federal Reserve Act, Retrospect and Prospect.

Willis, Henry Parker. The Federal Reserve Act.

Reprint from American Economic Review, Vol. 4, No. 1:1-24, March, 1914.
pp. 13-17. Recognition of fact that law does not owe its inspiration to any one source.

September 14, 1938.