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The first problem which this Administration faced was the crisis occasioned by the collapse of the banking system. By Inauguration Day the collapse was complete and there followed in close order the President's inaugural address, which was concerned almost wholly with the banks, the proclamation of a bank holiday, the convening of Congress in extraordinary session, and the enactment of the Emergency Banking Act.

At his first press conference, occurring the day before the enactment of the Emergency Banking Act, the President was asked this question - "Do I understand you are going to keep hold of this banking situation until permanent legislation is enacted?" To which he answered - "Off the record answer, yes." Following the enactment of the Emergency Banking Act the President declared the existence of a national emergency and extended the bank holiday indefinitely.

The continued existence of this declared banking emergency assumes the need for permanent banking legislation yet to be enacted.

No sooner had Congress enacted the Emergency Banking Act than the President addressed himself to the need of "reorganization and elimination of executive agencies." Since that time an important part of his program has been to exercise such authority as he possessed in effecting needed reorganizations and consolidations within the Executive Department and to secure needed authority to make reorganization complete.

Many desirable reorganizations, consolidations and transfers already have been effected by various Executive Orders. As an example of the splendid results which have been accomplished in some fields, one may point to the present Farm Credit Administration, which was created by Executive Order and which had as its first Governor the present Secretary of the Treasury.

As stated by the President "the Farm Credit Administration was organized to eliminate overlapping, prevent duplication, settle conflicting jurisdictions - in short, to provide a more efficient, logical and consolidated credit service for farmers at a low cost." The Order consolidated in one agency "the Farm Credit Administration - the functions of all present Federal organizations which deal primarily with agricultural credit; namely, the Federal Farm Board, the Federal Farm Loan Board, the functions of the Secretary of Agriculture with respect to loans in aid of agriculture, and those of the Reconstruction Finance Corporation pertaining to the management of the regional agricultural credit corporations." Certain functions of the Secretary of Agriculture and of the Secretary of the Treasury were abolished. There were transferred to the jurisdiction and control of the Farm Credit Administration functions of the Federal Farm Loan Bureau, the Federal Farm Loan Board (including the Farm Loan Commissioner), the Treasury Department, the Department of Agriculture and the Reconstruction Finance Corporation.

Another such example is the Home Loan Bank System and the consolidations effected in the establishment of the Home Loan Bank Board.

In sharp contrast, the number of Governmental agencies dealing with the commercial banking system has increased. The responsibility for commercial banking supervision by the Federal Government has become more divided with consequent overlapping authority and conflicting jurisdiction in the several agencies. Likewise the responsibility for national monetary and credit policies has become widely diffused.

Prior to 1933, Federal supervision of the commercial banking system, in so far as it was subject to such supervision, was in the hands of the Comptroller of the Currency and the Federal Reserve Board. Since 1933 there has been added to the already existing agencies the Federal Deposit Insurance Corporation, which exercises broad supervisory powers. Furthermore, the supervisory activities of the Reconstruction Finance Corporation have so increased as to make it a major factor and the Secretary of the Treasury, through the exercise of authority under the President's emergency powers, actively licenses the operation of banks and is authorized to exercise and does exercise other regulatory powers. Thus there are now no less than five agencies actively engaged in bank supervision. Illustrative of the wide division of supervisory authority there is attached hereto a chart which visualizes the various functions performed by the various agencies.

In many matters these agencies encroach on each other with resulting conflicts of policy, confusion of responsibility and wastefulness and dissipation of energy and administration. The existence of multiple supervisory staffs, including examiners, lawyers, statisticians and other technicians, both in Washington and in the field, results in confusion, delay, and expense.

Thus, at times it has been impossible to obtain agreement upon matters of common concern such as a uniform definition of interest. When agreements have been reached, they have been attained only after prolonged negotiation, as in the case of uniform examination reports, and interpretations of the agreement have been so widely different that the result has been continued substantial differences in examination policy.

Differences and delays are constantly occurring in particular cases. In one case, four years elapsed between initiation of negotiations and the final consummation of a plan for the relief of a dangerous banking situation in an over-banked community in which were located two State member banks and a national bank, all in an unsatisfactory condition. This lapse of time was largely due to the fact that it was necessary for the Federal Deposit Insurance Corporation to make a loan to a national bank; for the Secretary of the Treasury to request the Reconstruction Finance Corporation to subscribe to preferred stock and license a new bank; for the Reconstruction Finance Corporation to subscribe to such stock; for the Reserve bank to recommend the admission of the new bank to the System; for the Comptroller of the Currency to cooperate in order that the national bank might be included in the program; and, for the State banking authorities to place the two State member banks in liquidation. Officials and examiners of all these agencies were participants in numerous conferences both at Washington and in the field.

In the case of another national bank, while the Federal Deposit Insurance Corporation was preparing to institute proceedings to terminate the bank's insurance, the results of which would probably have led to the appointment of the Federal Deposit Insurance Corporation as receiver, the Comptroller of the Currency filed a certificate with the Reserve Board instituting proceedings against the president of the bank to remove him from office under section 30 of the Banking Act of 1933. Accordingly, the Board initiated a hearing. While this proceeding was under way, the Comptroller of the Currency appointed a conservator. After the conservator was appointed the removal proceedings were concluded and the officer involved was removed from office. Subsequently the conservator was supplanted by the Federal Deposit Insurance Corporation as receiver.

There are actual cases in which banks have threatened to denationalize in order to escape regulation and supervision by the Comptroller of the Currency; in which other banks have threatened to retire from the Federal Reserve System in order to escape regulation and supervision by the Reserve System; and in which still other banks have threatened to join the Federal Reserve System in order to escape regulation and supervision by the Federal Deposit Insurance Corporation. Others continue to be State noninsured banks because they do not care to submit to Federal supervision of any kind in such circumstances.

The unwieldiness of Federal supervision is further graphically illustrated by the case of one large national bank with hundreds of branches. It is examined by the Comptroller of the Currency, who also grants permission for the establishment of branches; its deposits are almost wholly insured by the Federal Deposit Insurance Corporation; and it is part of a holding company set-up which is under the jurisdiction of the Reserve System.

The Comptroller of the Currency calls for reports of condition from national banks, the Reserve Board from State member banks, and the Federal Deposit Insurance Corporation from nonmember insured State banks. There is no uniform policy for fixing the dates of such calls and there is great difficulty in obtaining coordination of information.

Elementary principles of good administration require that supervisory authority be lodged in one place. Such concentration of authority and the elimination of the confusion would do much to strengthen the present unsatisfactory banking system. A single Federal agency charged with the responsibility for the supervision of banking would eliminate conflicts and duplications and would reduce the expense of administration and the multiplicity of reports and requirements that banks now find so annoying. More important, it would facilitate the development of a consistent Federal Policy and cooperation between the Federal Government and the States in the direction of a strengthened banking structure.

Supervisory policies and credit policies when separately controlled tend to conflict and a policy of encouraging the extension of credit adopted by the administration may be discouraged and counteracted by a policy of restraint exercised by supervisory authorities. This has actually occurred. Therefore, neither the credit authority nor the supervisory authorities should operate in a separate watertight compartment and, as pointed out by Professor Jacob Viner, there should be "unified control of bank supervision and examination; coordination of examination policy with credit control policy; and systematic and continuous supervision and instruction of the examiners in terms of a uniform and flexible policy."

Any plan of reorganization should give effect to these principles.

In the field of credit control there are many powers, outside of the Reserve System, the exercise of which directly affect the reserves of commercial banks, as for instance operations in the Stabilization Fund, the purchase of gold under the Gold Reserve Act of 1934, the purchase of silver under the Silver Purchase Act of 1934 and other Governmental operations which it is not necessary to mention.

However necessary and desirable many of these measures and the operations thereunder may be, they necessarily at times create awkward situations and difficult problems. To illustrate, it is only necessary to call attention to the dilemma in which the Reserve System found itself after the adoption of the recent Recovery Program. On the one hand, the Treasury naturally felt an obligation to desterilize its gold holdings as quickly as possible. On the other hand, the Reserve System felt an obligation to make its decrease in the reserve requirements effective. But the retirement of Government debt by the use of desterilized gold resulted in a diminution of the available short term Government obligations, and forced the Reserve System, in order not to contract credit, when expansion was desired, to purchase Government obligations up to two years maturity on a no-yield basis. Failure to do so would have resulted in decreasing bank reserves at the same time that action was being taken to increase them. Yet large-scale purchases by the Reserve System coming out of a diminished supply of Government obligations resulted in an undesirable distortion of the rate structure.

Furthermore, there is division of authority within the System which, at times, impedes and delays coordinated action in effectuating system policy and which is susceptible of being so exercised as to produce directly conflicting actions within the System. Thus, the authority over the reserve requirements of member banks is in the Board of Governors, but the power to determine open market policy, which directly affects the reserves of member banks, is in the Federal Open Market Committee, a body composed of the members of the Board and five presidents of the Federal Reserve banks. Referring again to the dilemma occasioned by the adoption of the recent Recovery Program and carrying the illustration further, note that the original decision to support the Administration's program by decreasing the reserve requirements of member banks was made by the Board of Governors. The ensuing decision necessary for the effectuation of the policy, however, had to be made by a body the membership of which had been diluted by the addition of five persons not parties to the adoption of the original program. In this connection, it is fair to say that such pressure as was exerted for action by the Committee which would have nullified the prior action of the Board came largely from this segment of the Committee.

It is recognized that there are powers and functions of other agencies of Government which are directly related to the powers and functions of the Board, but which are necessarily and peculiarly within the province of such other agencies and accordingly should not be transferred to the Board. Nevertheless, in the effective administration of Governmental affairs responsibility for given provinces of Governmental activity should be definitely fixed in one agency in so far as possible. In those cases in which it is necessary for powers susceptible of being used in a conflicting manner to remain divided among different agencies, provision should be made for mutual inter-agency consultation and advice in order that their use may be coordinated.

Monetary and credit powers in particular should be lodged in one continuing body with singleness of purpose. Continuity of service contributes the experience of the past. Singleness of purpose tends to prevent dissipation of energies, distraction because of other and sometimes conflicting responsibilities, and the overloading in one agency of more functions that it can perform.

The following passage is quoted from the recent book "The Administrative Process" by James M. Landis:

> "Placing responsibility directly upon a specific group means that a finger can be publicly pointed at a particular man or men who are charged with the solution of a particular question. This localization of responsibility gives, in turn, to those positions a real attraction for men whose sole urge for public service is the opportunity

that it affords for the satisfactions of achievement. If the functions now exercised by the Federal Reserve Board were to be scattered throughout the Treasury Department, the several posts would lose much of their present appeal. But also, responsibility for the solution of the issues now intrusted to that Board would, at least in the public mind, cease to be susceptible of being specifically affixed to any one person or group. In this respect a sharp contrast can be drawn between the administration of the stock exchanges and those exchanges dealing in commodities. Theoretically, the latter are administered by the Secretary of Agriculture under a bureau chief. The effect, without considering in any manner the efficiency of that administration, is that the public, except in rare cases, becomes unable to attach responsibility directly to a given subordinate official. It is equally impossible to affix a like responsibility to the Secretary of Agriculture in view of the almost limitless range of his other duties. Conversely, despite the mistakes that may have occurred in the administration of the National Industrial Recovery Act, it was possible to attach blame or praise, for the policies pursued, directly to the Administrator. On the other hand, where the administration of one phase of that Act - in the petroleum industry - was turned over to the Secretary of the Interior, the sharp pointing of responsibility was dulled, for administration had become virtually anonymous amid the other heterogeneous duties of the departmental head."

The agency in which monetary and credit powers should be lodged should be able to exercise its independent judgment uninfluenced by other responsibilities and free from political control. This does not mean that such agency should be so constituted as would permit it to act without regard to the objectives of a particular Administration. As has been said: "There must be a liaison, a responsive relationship, between the Administration and the money system; that does not mean political control in the undesirable sense which is so often implied." This same thought has also been aptly expressed by Mr. Landis in another article on Administrative Agencies in Government, wherein he said "In the broad pursuit of its policies, to be effective it must align its objectives with those pursued by the executive. The direction in which it moves within the narrow sphere of its activity has, in the last analysis, to be attuned to the general movement of political thought and will. Its function is to interpret for the complex situations of which it has charge and in which it is assumed to possess expertness, the meaning and impact of the broad program of the legislative and the executive."

The specific proposals hereinafter made take all of these considerations into account.

With the influx of gold continuing and with excess reserves increasing, the Reserve System finds itself with no effective power to combat an uncontrolled inflation which could be generated thereby. It is essential that the Administration anticipate the problem which inevitably must result from the unprecedented size which excess reserves undoubtedly will attain by providing means whereby their use may be controlled when failure to control would result in national disaster.

Under authority of the Thomas Amendment, enacted in 1934, the Government, under certain conditions, can issue $3,000,000,000 of so-called greenbacks. The exercise of this authority would have the effect of adding $3,000,000,000 to the already stupendous credit base. Under authority of the Silver Purchase Act, already referred to, the Government, under certain conditions, may purchase silver and issue silver certificates and as a result of the purchases already made there is unused authority in the hands of the Treasury to issue silver certificates to the extent of approximately a billion dollars, representing the difference between the cost of silver to the Government and the amount of silver currency such silver would support under the provisions of the Act. There are now outstanding approximately $____________ of silver certificates and $____________ of United States notes.

The Federal Reserve System, among other things, was created to furnish an elastic currency but the continued issuance of other currency introduces a fixed element into the currency system which naturally tends to displace Federal Reserve notes.

Aside from the desirability of substituting an elastic currency for a rigid one, as well as simplifying the currency system, there are sound administrative reasons for lodging the responsibility for the issuance of currency in one place. Furthermore, the retirement of silver certificates and United States notes would be necessary to complete a program involving the discontinuance of the purchase of silver and the centralization of the authority to issue circulating notes and would tend to make the Administration policy in these respects more positive. Therefore, legislation designed to give the Reserve System authority to make effective its credit policy through the exercise of control over commercial bank reserves should also include control of the power to issue currency.

With the view of eliminating, as far as practicable at this time, the duplication and division of responsibility, effort, and expense which now exist and of bringing about greater coordination and correlation of administrative activities, certain corrective measures are proposed which will involve the necessity for the adoption of a legislative program.

The enumeration in the legislation of changes in the existing administrative set-up should be preceded by a preamble or declaration to the effect that it is the purpose of the Congress in enacting the legislation to eliminate unnecessary duplication of effort and expense through the redistribution and coordination of existing activities and that it shall be the duty of the agencies charged with the administration of the Federal banking laws to carry out this purpose in the performance of their respective functions.

With the foregoing purpose in view, the legislative program should include:

I. Termination of the office of the Comptroller of the Currency. - Its currency functions should be transferred to the Treasury of the United States. The supervision which the Comptroller of the Currency now exercises over building and loan associations in the District of Columbia should be transferred to the Home Loan

Bank System. The bank examination powers of the Comptroller of the Currency and the Board of Governors should be transferred to the Federal Deposit Insurance Corporation with a provision that reports of examination shall include such information as the Board of Governors may require for the performance of its functions. The number of examinations and the frequency with which they are to be made should be in the discretion of the Federal Deposit Insurance Corporation. The powers of the Comptroller of the Currency and of the Federal Deposit Insurance Corporation to require reports should be transferred to the Board of Governors, with provision that there shall be included in such reports information required by the Federal Deposit Insurance Corporation for the performance of its functions. The number of reports and their frequency should be in the discretion of the Board of Governors. All powers of regulation as distinguished from examination should be vested in the Board of Governors.

In order that the foregoing proposal may be more clearly understood, the following functions would be placed in the Federal Deposit Insurance Corporation:

(a) Chartering of all national banks and admission of all State banks to deposit insurance. In lieu of present rigid statutory capital requirements for chartering national banks and admitting State banks to the Federal Reserve System, the Federal Deposit Insurance Corporation should be authorized to determine in each case the adequacy of the bank's capital on the basis of its deposit liabilities and other corporate responsibilities.

(b) Approval of establishment of branches, domestic and foreign, of all insured banks.

(c) Permission to exercise trust powers by all insured banks.

(d) Supervision of holding company and other affiliates.

(e) Initiation of proceedings for the removal of officers under section 30 of the Banking Act of 1933, the hearing and determination of such actions to remain in the Board of Governors.

(f) Enforcement of the provisions of law containing prohibitions against interlocking directors, officers, and employees of insured banks and between insured banks and security companies.

(g) Enforcement of the prohibition against loans to executive officers.

(h) Enforcement of provisions of law relating to full disclosure in the case of sales of securities or property to banks by bank directors.

(i) Enforcement of prohibition against affiliation of member banks with security companies.

(j) Termination of deposit insurance.

(k) Appointment of receivers and conservators.

(l) Liquidation of insolvent banks.

(m) Approval of capital reductions.

(n) Approval of consolidations, mergers, etc.

As previously stated, all regulatory powers would be vested in the Board of Governors, among which would be included:

(a) Regulations relating to payment of interest on demand and time deposits, payment of time deposits before maturity, determination of what shall be deemed to be payment of interest, etc. (Now partly in Federal Reserve Board and partly in F.D.I.C.)

(b) Regulations governing the purchase of investment securities. (Now in Comptroller of the Currency)

(c) Collection and analysis of reports of condition and other statistical data. (Now in Federal Reserve Board, Comptroller of the Currency and F.D.I.C.)

(d) Hearings as to removal of officers, directors and employees of insured banks, to be initiated by F.D.I.C. (Initiated now partly by Comptroller of the Currency and partly by Federal Reserve Agents) out

(e) Regulation of extension of credit accommodations by Federal Reserve banks to insured banks.

Reallocation of powers and functions along the lines above set out will result in all of one type of function being lodged in the Federal Deposit Insurance Corporation and all of another type of function being lodged in the Reserve Board. Each agency would then be definitely responsible in its particular field. The possibility of duplication of examinations and multiplicity of reports would be eliminated by statute, but equally important, this with other proposals would permit of further eliminations and duplications through administrative processes.

Supplementing the redistribution and reallocation of functions are proposals substituting the exercise of discretion in certain cases for the application of the present rigid requirements of law. The adequacy of a bank's capital depends upon the facts and circumstances of the particular case and no fixed formula can be successfully applied to the entire country. In some cases the present requirements are inadequate and in other cases the statutory requirements are out of proportion with the needs of particular communities. In addition, capital requirements have been a serious deterent to banks otherwise eligible seeking membership in the System. Along the same lines, reports should be required only when needed by the authorities and banks should be examined only as the occasion requires.

II. <u>Membership in Federal Reserve System</u>. - Distinctions between membership as now constituted in the Federal Reserve System and nonmembership of insured banks should be abolished. All insured banks should be admitted at once to the exercise of all privileges now incident to membership in the System and all insured banks, regardless of membership, should be subjected to the same requirements of law and regulations. As a part of this program each existing bank with deposits not exceeding $1,000,000 and located in a place with population not exceeding 2,500 in which there is now a non-par bank, should be permitted to charge exchange in remitting for checks drawn upon itself and until 1941 other existing banks not now on the par list should be granted the same privilege. It should also be provided that the absorption of such exchange charges by correspondent banks other than Federal Reserve banks should not be deemed to be the payment of interest.

The foregoing proposal would make it possible for all insured banks to use the facilities of the System now offered only to member banks. At the same time it brings a substantial part of the banking system, now beyond its jurisdiction, under the regulatory control exercised by the Board. If the exercise of the Reserve Board's authority is to be effective it must apply to the banking system as a whole and this, except for a small segment of uninsured banks, would accomplish this purpose.

Rigid statutory capital requirements, already mentioned, and par clearance have been the most serious deterrent to small banks in particular becoming members of the System. It will be observed that as a part of the program a proposal is made with respect to par clearance exempting small banks in small communities.

III. Ownership of the Federal Reserve Banks. - The capital stock of the Federal Reserve banks should be retired at par plus accrued dividends, the remaining surplus to constitute the capital of the Federal Reserve banks. Each Federal Reserve bank should then be permitted to accumulate net earnings until an aggregate capital of $300,000,000 (equitably apportioned among each of the banks in some manner to be determined) has been accumulated. Thereafter, subject to the creation and maintenance of adequate reserves, each bank should pay all of its earnings to the Government as a franchise tax. As an incident to this capital adjustment all interest of each Federal Reserve bank in the capital stock of the Federal Deposit Insurance Corporation should be transferred to the Treasury and final settlement should be made with the Treasury on advances by it to the Federal Reserve banks under section 13(b) of the Federal Reserve Act. Provision should be made for the liquidation of loans made under such section and for the discontinuance of this function in the future.

A great deal of discussion has taken place concerning ownership of the Federal Reserve banks. Ownership per se is not important. The problem is one of control. The foregoing, together with the other proposals here made, would eliminate any appearance of control by private interests. While the System should not be operated for profit it is to be observed that provision is made for the payment (after the accumulation of certain capital funds) of such profits as do result to the Government as a franchise tax.

As an incident to the proposal, provision is made for final settlement with the Treasury on account of the surplus of the System used in creating the Federal Deposit Insurance Corporation and the advances back to the banks by the Treasury under the provisions of section 13(b) of the Federal Reserve Act. The problem of loans to industry for working capital is left as a problem to be dealt with separately and apart.

IV. Directorates of Federal Reserve Banks. - The directorate of each Federal Reserve bank should be reduced to seven directors in number, none of whom should be an officer, director, or employee of any bank. Three of such directors, actively engaged in their district in commerce, agriculture or some other industrial pursuit, should be elected by the insured banks of the district, under rules and regulations of the Reserve Board, and one of such directors should be the banking supervisory authority of one of the States comprising the district, similarly elected by the banking supervisory authorities of all of the States comprising such district. The remaining three directors, none of whom should be a stockholder of any bank, should be appointed by the Board of Governors. The term of each director should be for three years and no director should be permitted to serve for more than three full consecutive terms. The election and appointment of directors should be staggered so that in each district all insured banks would elect one director and the Reserve Board would appoint one director each year. The manager of a branch of a Federal Reserve bank should be eliminated as a director of such branch and there should be substituted in his place a director elected by the State banking supervisory authorities in States served by such branch. The office of the Chairman and Agent of each Federal Reserve bank should be separated and that of Agent abolished.

The foregoing proposal is complementary to the proposal with respect to the ownership of Federal Reserve banks. It will eliminate the appearance of control by private interests and will provide for directorates of the several Federal Reserve banks, the composition of which will be entirely upon the basis of the public interest. It also will serve to promote closer cooperation between the Federal Government and the States in the direction of a strengthened banking structure.

The office of Federal Reserve agent is a needless one, except for the purpose of acting as custodian of collateral for Federal Reserve notes, which in turn is unnecessarily a part of the procedure in the issuance of Federal Reserve notes. Collateral requirements for Federal Reserve notes should be eliminated, in which event the office of Federal Reserve agent could be abolished. In any event, the office of Chairman and Federal Reserve agent should be separated better to promote efficiency of administration.

V. Interlocking memberships between Board of Governors of the Federal Reserve System and Board of Directors of the Federal Deposit Insurance Corporation. - The Board of Governors should be reconstituted to consist of seven members as now provided but the Chairman of the Board should serve for a term co-terminous with the term of office of the President and should be an ex officio member of the Board of Directors of the Federal Deposit Insurance Corporation. As a corollary, the Chairman of the Federal Deposit Insurance Corporation should also serve for a term co-terminous with the term of office of the President and should be an ex officio member of the Board of Governors. The remaining five members of the Board of Governors should be appointed for terms of ten years each, so arranged as to require the appointment of a member each two years. Members of the Board should be made continuously eligible for re-appointment. The Board should be permitted, except as to actions relating to national or System policy, to allocate particular duties to individual members and to delegate authority to Federal Reserve banks. The Board of Directors of the Federal Deposit Insurance Corporation should be reconstituted to consist of three members as now provided, but to conform to the above program. The third member of the Board of Directors of the Federal Deposit Insurance Corporation should be appointed by the Secretary of the Treasury. Such appointed member should be permitted to act for the Chairman of the Federal Deposit Insurance Corporation in his ex officio capacity as a member of the Board in his absence, and the Chairman of the Board of Governors should be permitted to select one of the appointed members of the Board to act for him in his ex officio capacity as a member of the Board of Directors of the Federal Deposit Insurance Corporation.

Interlocking relationships as here provided will be of assistance to both agencies in carrying out the direction to eliminate unnecessary duplication of effort and expense through the redistribution and coordination of activities. It should serve to keep both agencies from operating in watertight compartments and would tend to meet the point made by Professor Viner to which reference has already been made. Appointing the Chairman of the Board and the Chairman of the Federal Deposit Insurance Corporation for terms co-terminous with that of the President and arranging the appointment of the other members so that one is appointed each two years will create desirable liaison with the Administration in office at the time.

VI. Present Federal Advisory Council and present advisory council of Federal Deposit Insurance Corporation. - The Federal Advisory Council should remain as now constituted and the present de facto advisory body to the Federal Deposit Insurance Corporation, consisting of State bank supervisory authorities, should be made a statutory body under an appropriate name.

Since bankers will no longer have any direct representation upon the boards of directors of the several Federal Reserve banks their official contact with the System will be provided by permitting the Federal Advisory Council to remain as now constituted. Giving statutory recognition to the council of State supervisors which now meets with the Board of Directors of the Federal Deposit

Insurance Corporation should give its recommendations more weight and make it more responsible.

VII. Open Market Operations. - The direction and control of open market operations of the Federal Reserve banks should be placed in the Reserve Board and the banks should be authorized to purchase Government securities having maturities not to exceed 90 days from the date of purchase directly from the Treasury. The requirements of the present law whereby the size of the System Open Market Portfolio is published in the weekly statement should be amended.

For reasons already set out, control of open market operations of the Federal Reserve banks and regulation of the reserve requirements of insured banks should be in one body.

VIII. Reserve Requirements. - The statutory reserve requirements should be made uniform for all insured banks, differentiating only between demand deposits and time deposits and having one percentage for time deposits, as for example 5 per cent and one percentage for demand deposits, as for example 15 per cent. However, the Reserve Board should have the authority to classify cities as reserve or central reserve cities and within the limits of the authority granted it in connection with changing reserve requirements should have the authority to prescribe different percentages of reserves to be maintained for different classes of cities. The Reserve Board should have sufficient authority to enable it substantially to absorb all excess reserves created from the importation of gold from abroad. In this connection, the Reserve Board should have authority whereby some control can be exercised over balances of foreign Governments and foreign central banks by permitting the Board to require that such balances be maintained only with Federal Reserve banks. The Board also should have authority to prescribe different and higher reserves for foreign balances. Inter-bank balances should be treated as is now provided but an exemption from the assessment base of the Federal Deposit Insurance Corporation should be provided for all balances carried at a Federal Reserve bank.

IX. Issuance of Currency. - All authority to issue currency should be lodged in the Reserve System and all other outstanding authority to issue circulating notes should be repealed. In this connection, provision should be made for the retirement of United States notes by funds made available by the Treasury out of unused gold certificates or other funds made available from other sources.

X. Silver Purchase Act. - The legislation should provide for the discontinuance of the purchase of silver under the Silver Purchase Act of 1934. Certificates for silver already purchased should be issued to the Reserve System at the cost of such silver to the Treasury and the credit thereby established should be used to retire outstanding silver certificates. The Reserve System should have authority to use such certificates as reserves for the issuance of its notes upon a basis of one to one coverage.

XI. Thomas Amendment. - The Thomas Amendment should be repealed.