

PROPOSED PLAN

Objective

All the powers of the Federal Reserve System shall be directed towards the improvement of banking and credit conditions and the regulation of the volume and cost of credit with a view to economic stability and the fullest sustainable employment of the nation's human and material resources. Whenever in the opinion of the Board the attainment of this objective is impeded by factors beyond its control it shall be the duty of the Board to report the situation to the President or to the Congress.

Termination of Private Ownership of Federal Reserve Banks

Each Federal Reserve bank shall repurchase and cancel its capital stock and shall operate thereafter on its surplus. After all expenses have been paid and necessary reserves provided for, the remaining net earnings shall be added to the surplus until the surplus amounts to as much as the capital and surplus as of January 1, 1939; and thereafter all remaining net earnings shall be paid to the Government. Retain existing provision that, upon dissolution of Federal Reserve banks, the surplus shall go to the Government.

Directors of Federal Reserve Banks

Provide for a Board of seven directors, three elected by insured banks and three appointed by the Board of Governors, none to be directors, officers or employees of banks. Such directors to serve for three-year terms, one term of each class expiring each year and each insured bank to have one vote in election of directors. No director shall serve for more than three full terms of three years each. The seventh director to be elected annually by bank supervisory authorities of States included in district.

Extension of System's Facilities to All Insured Banks

Entitle all insured banks to credit facilities of Federal Reserve System and all other benefits now enjoyed by member banks; require all insured banks to maintain reserves on deposit with Federal Reserve banks and to comply with all regulations and restrictions in existing law for the maintenance of sound banking conditions and the prevention of abuses except (a) those relating to admission to and withdrawal from the System, (b) minimum capital requirements, and (c) as to small banks, the requirement that they remit at par for checks drawn upon themselves.

Exchange Charges

Permit each existing insured bank with deposits not exceeding \$1,000,000 and located in a place with a population not exceeding 2500 in which there is now a non-par bank to charge exchange in remitting for checks drawn upon itself, and grant the same privilege until 1941 to other existing banks not now on the par list. Permit all insured banks to absorb exchange charges on checks drawn upon banks that are permitted to make exchange charges.

Consolidation of Bank Supervision

Transfer Bureau of Comptroller of Currency, together with personnel, books, records and funds thereof, to Board of Governors of the Federal Reserve System. The present Comptroller shall become an ex-officio member of the Board. Until his term expires or until his service as Comptroller is terminated by resignation or otherwise, the President shall not fill the existing vacancy on the Board. Thereafter the Board shall designate one of its members as Comptroller. All future deputies and employees of Comptroller's office to be appointed by Board upon recommendation of Comptroller. Their compensation to be fixed and paid in same manner as Board's employees. All rights of present employees, including Civil Service status and pension and retirement benefits, to be preserved.

Comptroller to retain all of his existing powers, including the power to charter and supervise national banks, except that, (a) powers respecting examination and supervision of building and loan associations in District of Columbia to be transferred to Home Loan Bank Board; (b) powers respecting chartering and supervision of national agricultural credit corporations to be transferred to Farm Credit Administration, (c) power to supervise liquidation of national banks to be transferred to F.D.I.C., and (d) powers respecting the printing, engraving, custody and retirement of currency shall be retained in the Treasury Department.

All powers of Board of Governors, Federal Reserve banks, Federal Reserve agents and F.D.I.C. to examine and supervise banking institutions (other than Federal Reserve banks) and their affiliates and holding company affiliates to be transferred to Comptroller of the Currency. Number of required examinations to be reduced to one each year and costs to be absorbed by Board of Governors of the Federal Reserve System.

Comptroller to furnish reports of examination of banks to Board of Governors, F.D.I.C., Federal Reserve banks and other agencies of the Government for their strictly confidential use.

Concentrate all power to require reports of condition from banks in Board of Governors and authorize Board to furnish copies to Comptroller and F.D.I.C.

Decentralization of Administration

Twelve Federal Reserve banks and their 24 branches shall be used as the means for carrying out a program of decentralization of the examining and supervisory functions of the Board and the Comptroller. Examination departments of Federal Reserve banks to be transferred to chief national bank examiners.

Administration of Comptroller's powers regarding chartering, consolidation, reorganization of national banks and examination and supervision of all banks to be administered through chief national bank examiners located at Federal Reserve banks, who shall have access to all information obtained by Reserve banks through their daily contacts with banks. Decisions of chief national bank examiners adverse to banks to be subject to appeal to Comptroller.

Board of Governors shall decentralize administration of its remaining powers affecting individual banks by authorizing Federal Reserve banks or chief bank examiners stationed at Reserve banks to act upon such matters in accordance with general policies, regulations and instructions issued from time to time by the Board and subject to appeal to, or review by, the Board under regulations prescribed by the Board. For this purpose, authorize Board to delegate the performance of specific duties and functions, other than determination of national or System policies and promulgation of regulations, to individual members of the Board, to members of its staff, to chief bank examiners or to Reserve banks.

Federal Deposit Insurance Corporation

Power of F.D.I.C. to issue regulations (except those regarding assessments for insurance) to be transferred to Board of Governors. F.D.I.C. to retain its present powers regarding insurance, collection of assessments, rehabilitation and liquidation of banks and cancellation of insurance and to take over from R.F.C. preferred stock in banks and power to purchase preferred stock in banks, independently of any request or approval by Secretary of Treasury. No bank to be insured except with consent of F.D.I.C.

F.D.I.C. to have power to examine banks applying for insurance and, with consent of Comptroller, to make special examinations of insured banks requiring special attention.

Deposits of insured banks in an amount equal to their balances on deposit with the Federal Reserve banks shall be exempted from assessments for insurance.

Reserve Requirements

Every insured bank and every other bank which receives demand deposits and does business in interstate commerce shall maintain reserves of ___ per cent against demand deposits and reserves of ___ per cent against time and savings deposits, such reserves to consist of cash in vault and a balance with the Federal Reserve bank of its district.

The Board shall have the power to increase or reduce these reserve requirements for banks and bankers located (a) in New York City, (b) in other cities in which Federal Reserve banks or branches are located, (c) in places where no Federal Reserve bank or branch is located or for any combination of these groups; but the reserve requirement shall not be reduced below the percentages specified above and no increase in reserve requirements shall reduce the aggregate amount of excess reserves held by all banks subject to these reserve requirements to less than one billion dollars.

The Board shall have authority to require special reserves (not subject to the above limitations) against all deposits of foreign funds with American banks and bankers.

Deposits of Foreign Central Authorities

The Board shall be authorized to require that all deposits of foreign governments and foreign central banks in the United States be maintained on deposit with Federal Reserve banks.

Direct Purchase of Treasury Obligations

Authorize Federal Reserve banks to purchase Treasury bills with maturities not exceeding 90 days directly from the Treasury.

Industrial Loan Corporation

Provide for an Industrial Loan Corporation with authority to make loans to commercial or industrial businesses, to purchase obligations of such businesses from financing institutions, to make commitments to make such loans or purchases, and to purchase preferred stock in corporations engaged in such business. No funds in excess of \$1,000,000 to be provided for any one commercial or industrial business or to any such business which is able to obtain adequate funds on a reasonable basis from private financing institutions. Credit to be extended on a reasonably sound basis. The Corporation to have power to issue debentures in an amount not exceeding five times its capital funds. The Corporation to be authorized to set up an Insurance Fund to insure financing institutions on loans to commercial or industrial businesses.

The board of directors of the Corporation to consist of three members of the Board of Governors of the Federal Reserve System, with alternates from its other members or staff. The Corporation to utilize Federal Reserve banks or other local agents in the performance of its functions.

The Secretary of the Treasury to purchase from Federal Reserve banks the F.D.I.C. stock which was issued to them. Proceeds to be used by Federal Reserve banks to provide capital of \$100,000,000 and a paid-in surplus of between \$35,000,000 and \$40,000,000 for the Corporation. The existing mechanism for extending industrial loans by Federal Reserve banks to be discontinued.

Local committees to be authorized to assist applicants for funds. Upon dissolution assets of the Corporation would go to the United States.