Directors

CONFIDENTIAL February 15, 1941

AGENDA FOR DISCUSSING ALTERNATIVE PLANS

PLAN 1

Reserve Requirements

1. Increase the statutory reserve requirements for demand deposits in banks in central reserve cities to 26%; for demand deposits in banks in reserve cities to 20%; for demand deposits in country banks to 14%; and for time deposits in all banks to 6%.

2. Permit vault cash to be counted as reserves for the purpose of meeting reserve requirements.

3. Empower the Federal Open Market Committee to make further increases of reserve requirements sufficient to absorb excess reserves, subject to the limitation that reserve requirements shall not be increased to more than double the respective percentages specified in paragraph 1.

4. Authorize the Federal Open Market Committee to change reserve requirements for central reserve city banks, or for reserve city banks, or for country banks, or for any combination of these three classes.

5. Require that all member banks and all other banks whose average deposits for the year 1940 exceeded $1,000,000, thenceforth maintain reserves with the Federal Reserve Bank of their district and, in succeeding years, require that each bank whose average deposits for the preceeding year exceeded $1,000,000 do likewise. Provide that each nonmember bank as it becomes subject to this requirement shall elect whether automatically it will immediately become a member of the System entitled to all of the rights and privileges of a member bank and subject to the System requirements, or continue as a nonmember bank subject only to the over-all reserve requirements and entitled to membership in the future only in the discretion of the Board.

6. Reduce the assessment base of banks for the purpose of assessments by the Federal Deposit Insurance Corporation by the amount of reserves maintained as the result of requirements under paragraphs 1 and 2.

Open Market

1. Provide for the Federal Open Market Committee to consist of members of the Board of Governors and five Presidents of the Federal Reserve Banks as follows: The President of either the Federal Reserve

Banks of Boston, Philadelphia or Richmond to be elected by the boards of directors of such Banks; the President of either the Federal Reserve Banks of Atlanta, Dallas or St. Louis to be elected by the boards of directors of such Banks; the President of either the Federal Reserve Banks of Kansas City, Minneapolis or San Francisco to be elected by the boards of directors of such Banks; the President of either the Federal Reserve Banks of Cleveland or Chicago to be elected by the boards of directors of such banks; and, the President of the Federal Reserve Bank of New York.

2. Authorize Federal Reserve Banks to negotiate the purchase of Government securities with maturities not in excess of ninety days directly with the Treasury.

3. Prohibit the use of the Stabilization Fund as an open market instrument, permitting it to be spent in the retirement of public debt or to be used as a revolving fund in the purchase of securities only from the Treasury but permitting the sale in the open market of securities so purchased.

Federal Reserve Banks

1. Retire stock in Federal Reserve Banks by paying stockholders face value with accrued dividends.

2. Provide for continued membership in System of all national banks and for automatic membership without the right to withdraw of all State banks which, at or before the date of the retirement of Federal Reserve Bank stock, elect to become members of the System entitled to all of the rights and privileges of a member bank and subject to System requirements.

3. Reconstitute the boards of directors of the Federal Reserve Banks by providing for a board of seven directors, three with qualifications as now provided for Class B directors (engaged in this district in commerce, agriculture or some other industrial pursuit) to be elected by member banks and three with qualifications as now provided for Class C directors to be appointed by the Board of Governors. Make the President of the Bank an ex-officio member of the board and provide for his election for a term of three years by the other directors, with the approval of the Board of Governors and with the Board of Governors authorized to cast a vote in the event of a tie.

4. Require all Federal Reserve Banks, when their capital funds remaining after the retirement of their stock have been doubled, to pay all net earnings to the Treasury as a franchise tax.

PLAN 1	PLAN 2	PLAN 3
No veto in change of reserve requirements by President.	No veto in change of reserve requirements by President.	Give President veto power.
Presidents of Federal Reserve Banks on Open Market Committee.	Remove Presidents from Open Market Committee.	Retain Federal Reserve Presidents on Open Market Committee.
No capital stock.	Retain capital stock.	Retain capital stock
No bankers on board of directors of Federal Reserve Banks.	Retain banker directors on board of Federal Reserve Banks.	Retain banker directors on board of Federal Reserve Banks.

PLAN 2

Reserve Requirements

1. Same as in Plan 1.

Open Market

1. Remove Presidents of Federal Reserve Banks from Federal Open Market Committee, giving open market authority to Board of Governors.

Federal Reserve Banks

1. Retain present structure of Federal Reserve Banks, retaining Class A, B and C directors, but reducing dividends payable to Banks to 4 percent per annum.

PLAN 3

Reserve Requirements

1. Add following provision to Plan 1:

Give the President the power to veto action by the Committee either in raising or lowering reserve requirements.

Open Market

1. Same as in Plan 1. (5 Presidents of Federal Reserve Banks)

Federal Reserve Banks

1. Retain present structure of Federal Reserve Banks, retaining Class A, B and C directors, but reducing dividends payable by Banks to 4 percent per annum.

Note:

Additional alternatives which might be considered in connection with structure of Federal Reserve Banks under this plan:

(a) Retain capital stock in banks, reducing dividends to 4 percent and eliminating Class A director.

(b) Retire capital stock as provided in Plan 1, but retain Class A, B and C directors.