

September 20, 1945.

Mr. Allan Sproul, President,
Federal Reserve Bank of New York,
New York 7, New York.

Dear Allan:

In accordance with your letter of September 15, I am sending you a copy of the Board's letter to the respective chairmen of the committees handling the Reorganization Bill.

As you know, the previous bill exempted both the Federal Reserve and the FDIC, but not the Comptroller's Office. We did not ask for that exemption, and wanted to make clear that we had not sought it and did not seek it now. In view of our Annual Report of 1938, which brought out the necessity for bringing some sort of order out of this hodge-podge of Federal bank supervisory agencies, it certainly would be inconsistent to ask for exemption from a measure that would make a reorganization possible.

We were very favorably impressed by what the Comptroller General had to say in his testimony on these bills in regard to the backstairs efforts of Government agencies to get themselves exempted. Manifestly, the whole purpose of such a measure is defeated by exemptions and once the door is open there is almost no limit to the exemptions. You are also aware of the difficulty, if not impossibility, of accomplishing any reorganization of the banking agencies through presentation of a separate bill to Congress. In fact, the only way as a practical matter in which it can be done is by letting the President have a free hand, subject to Congressional veto, to bring it about himself.

I do not have at hand, I regret to say, a copy of the Comptroller General's statement, but it and a similar statement by the Budget Director well express the Board's general viewpoint.

Sincerely yours,

Enclosure

ET:b

P.S. You will be interested in the enclosed copy of a letter received from Harold Smith, Director of the Budget. In my opinion, that agency will have a good deal to do with any developments in the reorganization program. M.S.E.