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February 18, 1949.

Dear Senator McClellan:

The Federal Advisory Council, a statutory body created under the Federal Reserve Act and consisting of one banker from each Federal Reserve District elected by the several Boards of Directors of the Federal Reserve Banks, has just met in Washington and has observed the action of the House of Representatives in the passage of HR-2361. The Council has also learned that hearings have been held on Senate bill 526, both bills pertaining to the reorganization of Government agencies.

The Council has further learned that in the House of Representatives the Board of Governors of the Federal Reserve System, along with several other agencies, has been eliminated from the general reorganization provisions so as to require separate action in the event of a reorganization or change in any of its functions. We are also aware that in the event of such an occurrence Congress, by action of both Houses, can disapprove within a sixty-day period.

As the members of the Council are all thoroughly conversant with the creation of the Federal Reserve System and the intent of the Congress when it was created, particularly under the guidance of the late Senator Glass, then Chairman of the House Banking and Currency Committee, that the Board of Governors of the Federal Reserve System was to be an agency of the Congress and not an agency subservient to the executive branch, which intent was reaffirmed in the Banking Act of 1935, it would appear to the Council that in the event of the reorganization provisions affecting the Board the Congress should have to act affirmatively rather than through disapproval of both Houses. We believe this is essential in our democratic form of Government because of the status of the Federal Reserve System in the economy of the Nation.

Since its establishment in 1913, the Federal Reserve System has effectively dealt with the problems of World War I, the intervening depression, World War II, and the subsequent problems which the postwar period has brought about, and we strongly emphasize that we believe the Board of Governors of the System should continue to be preserved as an agency of the Congress as now constituted.

We, therefore, respectfully request that the Board of Governors be exempted from the Reorganization Bill. In the event that it is later proposed to reorganize the Board of Governors, it should be done by legislation requiring the concurrence of both Houses of Congress. We hope this letter may be entered on your record and may be given the full weight of your thoughtful consideration.

Very sincerely yours,

(s) Edward E. Brown

President.

The Honorable John L. McClellan, Chairman,
Committee on Expenditures in the Executive Departments,
United States Senate,
Senate Office Building,
Washington 25, D. C.