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FEDERAL ADVISORY COUNCIL

March 23, 1949

Mr. Edward E. Brown, President,  
Federal Advisory Council,  
c/o The First National Bank of Chicago,  
Post Office Box A, Chicago 90, Illinois.

My dear Ned:

Referring to the communication which the Council addressed to Senator McClellan, Chairman, Committee on Expenditures in the Executive Departments, who has charge of the Reorganization Bill, I think I should advise you that today, through the good offices of Senator Fulbright, of Arkansas, a very warm friend of mine, I had lunch with Senator McClellan and Senator Fulbright at the Capitol.

I went over orally all the reasons why the Board of Governors of the Federal Reserve System should be kept as an agency of Congress. We also discussed the other agencies. Senator McClellan indicated pretty clearly to me that he personally was in favor of exempting all three agencies but if that was not possible he was firmly of the opinion that the provision of the House bill which provided that both Houses of Congress had to object in the event of legislation reorganizing the Federal Reserve Board was entirely wrong, and if he found that the agencies had to be included in the reorganization provisions they should be accorded special treatment. All should be in or all should be out, but if in, it should require the concurrence of both Houses of Congress or the veto power of one House in Congress, if the reorganization legislation as to these agencies was not acceptable. He also indicated to me that he felt the majority of his committee would be opposed to the provisions of the House Bill as to both Houses having to veto in any reorganization legislation pertaining to these agencies, so I believe my conference with him was worthwhile.

I might also say that Senator McClellan fully realizes that no savings can be effected for the taxpayer, and I also brought out the point very clearly that in addition to these agencies being self-supporting, the Federal Reserve System, under the provisions of Section 16 of the Federal Reserve Act, paid a tax to the government equal to 90% of their earnings after the payment of dividends.

As I was in a position to do so on account of my former close contact with Senator Glass, I was able to give Senator McClellan a picture as to the viewpoint of Senator Glass regarding the Federal Reserve System continuing as an agency of Congress, even to the point of removing the Secretary of the Treasury from the Board of Governors.

It seems, with this visit of mine, that we have done all at this time that we can to preserve the Federal Reserve System as an agency of Congress, and the other agencies will be accorded equal treatment with the Board of Governors along the lines mentioned above, as far as Senator McClellan is concerned.

Yours very truly,

(signed) Robert V. Fleming  
Second Vice President.