

PROPOSED CHANGE OF NAME OF FEDERAL
RESERVE BOARD

Section 202(a) of the proposed Banking Act of 1935 (H.R. 7617), as passed by the Senate, provides that "hereafter the Federal Reserve Board shall be known as the 'Board of Governors of the Federal Reserve System', and the governor and the vice governor of the Federal Reserve Board shall be known as the 'chairman' and the 'vice chairman', respectively, of the Board of Governors of the Federal Reserve System".

Although at first glance it may appear that this is an innocent proposal involving little more than the difference between Tweedledum and Tweedledee, it is believed that further reflection will reveal that the change will cause a considerable amount of confusion and annoyance. Of course, a certain amount of confusion and annoyance may be justified if some substantial result will be achieved by the proposed change and, accordingly, it seems that a rational decision as to the desirability of the change of name may be reached by weighing the disadvantages of such change against the advantages that would result therefrom.

The first and most obvious disadvantage of the proposed new name is that it is long and cumbersome whereas the existing name is short and convenient. "Board of Governors of the Federal Reserve System" is an eight word name while "Federal Reserve Board" is a three word name.

If the question were being considered de novo as of the date of enactment of the original Federal Reserve Act, the unwieldiness of an eight word name as compared with a three word name might not seem of great importance, but it must be remembered that the Federal Reserve Board has been in existence since 1914 and that in twenty-one years its present name has become firmly impressed in the minds of bankers, business men, and other members of the public. Of course, it would be possible by Governmental fiat to decree that the color heretofore known as blue shall hereafter be known as red, but people generally would nevertheless show a perverse and persistent tendency to continue to refer to blue as blue. It is believed that bankers and others will show this same tendency with regard to this proposed change of name and will continue to refer to the Federal Reserve Board as the Federal Reserve Board.

Such a tendency certainly has strong support in section 202(a) of H.R. 7617. The section does not amend the Federal Reserve Act by striking out the words "Federal Reserve Board" and substituting the

words "Board of Governors of the Federal Reserve System" but instead provides that "hereafter the Federal Reserve Board shall be known as the 'Board of Governors of the Federal Reserve System'". The Banking Act of 1935 consists largely of amendments to the Federal Reserve Act and throughout these amendments the Senate version of the bill uses the name "Board of Governors of the Federal Reserve System". The result will be that the sections of the Federal Reserve Act which are amended by the Banking Act of 1935 will contain the name "Board of Governors of the Federal Reserve System" while all of the other sections of the Federal Reserve Act which refer to the Board will contain the name "Federal Reserve Board". Here is confusion with a vengeance. A count reveals that the name "Federal Reserve Board" appears in the existing Federal Reserve Act 238 times. The Senate version of the Banking Act of 1935 uses the name "Board of Governors of the Federal Reserve System" 17 times.

If the Senate draft of the bill is adopted, the result will be that the Federal Reserve Act will refer to the "Federal Reserve Board" 220 times and to the "Board of Governors of the Federal Reserve System" 17 times. To persons who do not use the Federal Reserve Act regularly this discrepancy will undoubtedly cause irritation and uncertainty. Only by locating section 202(a) of the Banking Act of 1935, which will not be a part of the Federal Reserve Act, will the reader be able to discern that the two names mean the same body.

Bankers and attorneys and the Federal Reserve Board and its staff will likewise find the two names for the same body most inconvenient. For example, the Banking Act of 1935 amends section 10(b) of the Federal Reserve Act and refers to the "Board of Governors of the Federal Reserve System". Section 10(a), however, is not amended and it will continue to refer to the "Federal Reserve Board". In a letter from the Federal Reserve Board to a bank quoting and discussing both sections 10(a) and 10(b) a most incongruous result is inevitable. Of course, the incongruity may be lessened somewhat if a paragraph is inserted in the letter explaining that the Federal Reserve Board is now "known" as the "Board of Governors of the Federal Reserve System" and that the differences in name are of no significance.

Another consideration is that the proposed change of name will necessitate the reprinting of practically all of the printed matter of the Federal Reserve Board and a large portion of the printed matter of the twelve Federal Reserve banks. The chief item of expense involved in such reprinting would be the cost of the forms on which various reports are made to the Federal Reserve Board. In addition there would be stationery, printed regulations, and miscellaneous printed forms. It is estimated that the cost of such reprinting would be

approximately \$11,000.00. While discussing forms, it may be noted that it has been found convenient to designate forms thus - F.R.B. Form 1. If this system should be followed after the change of name the designation would be B.O.G.O.T.F.R.S. Form 1.

Having considered the confusion, annoyance, and expense that would be caused by the change of name, let us now consider the advantages of the change. In discussing the bill in the Senate on July 24, 1935, Senator Carter Glass, Chairman of the Banking and Currency Subcommittee which inserted the provision for change of name in the bill, made the following statement concerning the reasons for such change:

"That was done largely at the suggestion of the senior member of the Federal Reserve Board, Dr. Miller. Representation was made to the committee that to have a governor and vice governor of the Federal Reserve Board was to place all other members of the Board at a disadvantage in the matter of prestige and of influence upon problems presented for consideration. Therefore he suggested that the Board be called the 'Board of Governors of the Federal Reserve System'."

But Dr. Miller's proposal did not merely involve a change of name. The real substance of his proposal was that each member of the Federal Reserve Board should be "on an equal footing with respect to one another". Senate Hearings on H.R. 7617, page 756. What Dr. Miller objected to was the provision of existing law under which the President designates one member as Governor and thus sets him above the other members of the Board. The proposal was designed to make every member a Governor and allow the Board of Governors to elect its own chairman.

Senator Glass adverted to this matter a little later in his discussion when he said:

"It was strongly urged upon the committee that the Board should be permitted to select its own chairman and its vice chairman. After the matter was deliberately debated for a long time the committee concluded - first the subcommittee, and afterward the full committee - that the President should be charged with the duty of selecting the chairman and vice chairman of the Board, respectively, whose term of office as chairman and vice chairman shall be 4 years, but as members of the Board they are permitted to serve a full term."

Thus it is clear that the Senate has adopted the form of Dr. Miller's proposal and has omitted the substance. It has taken the shell but overlooked the kernel. Instead of having six members and

one member designated by the President as Governor, the Board will have six Governors and one Governor designated by the President as Chairman. Every member will be a Governor but there will still be a Super-Governor.

It is submitted that since the net substantial result of the proposed change of name would be exactly nothing and since the change would cause considerable confusion, annoyance, and expense, section 202(a) should be stricken out of the bill and the words "Board of Governors of the Federal Reserve System" should be changed to "Federal Reserve Board" in each place where they occur in the bill.