

## Office Correspondence

FEDERAL RESERVE  
BOARDDate July 19, 1935.To Governor EcclesSubject: Two more proposed amendmentsFrom Mr. Wyatt, General Counselto the Banking Act of 1935.

GPO 16-852

*W. Wyatt*

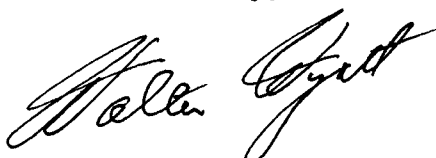
For your information, I am handing you herewith printed copies of two additional amendments to the Banking Act of 1935, one proposed by Senator Fletcher and one proposed by Senator Nye.

The Fletcher amendment is obviously a substitute for one of the amendments I sent you yesterday, and would simply strike out the underwriting amendment without otherwise affecting section 308 of the bill.

The Nye amendment would strike out all of Title II of the bill and substitute a provision abolishing the Federal Reserve System and creating a Bank of the United States of America, owned by the Government and managed by a board of forty-eight directors, one of whom would be elected from each State in the same manner as Senators and Congressmen are elected.

I do not think that it is necessary for us to do anything about either of these amendments, or about any of the four Fletcher amendments which I sent you yesterday.

Respectfully,

Walter Wyatt,  
General Counsel.

Attachments.

# H. R. 7617

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IN THE SENATE OF THE UNITED STATES

MAY 13 (calendar day, JULY 18), 1935

Ordered to lie on the table and to be printed

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## AMENDMENT

Intended to be proposed by Mr. FLETCHER to the bill (H. R. 7617) to provide for the sound, effective, and uninterrupted operation of the banking system, and for other purposes, viz:

- 1        On page 159, line 22, strike out all after “ prescribe ”
- 2        down to and including “ fund ” on page 160, line 18.

74TH CONGRESS }  
1ST SESSION } **H. R. 7617**

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# H. R. 7617

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## AMENDMENT

Intended to be proposed by Mr. NYE to the bill (H. R. 7617) to provide for the sound, effective, and uninterrupted operation of the banking system, and for other purposes, viz: On page 144, beginning with line 10, strike out all down to and including line 6 on page 154 and insert in lieu thereof the following:

### TITLE II—TO ISSUE MONEY AND REGULATE THE VALUE THEREOF

1       It is the purpose of this title to restore to Congress its  
2 constitutional power to issue money and regulate the value  
3 thereof; to provide for the orderly distribution of the abund-  
4 ance with which a beneficent Creator has blessed us; to  
5 establish and maintain the purchasing power of money at  
6 a fixed and equitable level; to restore the values of property

1 to just and equitable levels; to increase the prices of agri-  
2 cultural products to a point where they will yield the cost  
3 of production plus a fair profit to the farmer; to provide a  
4 living and just annual wage which will enable every citizen  
5 willing to work and capable of working to maintain and  
6 educate his family on an increasing level or standard of  
7 living; to repay debts with dollars of equal value; to lift in  
8 part the burden of taxation; and for other purposes.

9 The Constitution of the United States in article I, sec-  
10 tion 8, clause 5, provides that Congress shall have the  
11 power to coin money and regulate the value thereof and  
12 of foreign coins;

13 The present practice of issuing book credits by com-  
14 mercial banks, and transferring the title of said credits by  
15 check, provides a supplementary medium of exchange, abro-  
16 gating the said constitutional provision and establishing a  
17 separate, private, and independent monetary system; and

18 The permanent welfare of the people and the protection  
19 of the economic life of the Nation are dependent on the  
20 establishment of a monetary system wholly subject to the  
21 control of Congress, which will promote the interests of  
22 agriculture and labor, of industry, trade, commerce, and  
23 finance for the economic well-being of all citizens by the  
24 maintenance of price levels, which will avoid excessive  
25 expansion or disastrous contraction and which will protect

1 the national credit and currency at home and in the world's  
2 markets.

3 SECTION 1. There is hereby created a central bank,  
4 which shall be known as the " Bank of the United States  
5 of America ", which may be abbreviated as the " Bank of  
6 the U. S. A."

7 SEC. 2. The Bank of the United States of America,  
8 so created, shall be the agency of the Congress of the United  
9 States to issue the money of the United States, to control  
10 the value thereof, and the value of foreign moneys, and  
11 it shall have sole jurisdiction over all monetary stocks and  
12 all moneys and shall be the custodian of the public credit  
13 of the United States. It shall be the central depository  
14 of all reserve funds of all banks, banking institutions, and  
15 banking firms under the jurisdiction of the United States.  
16 It shall be the sole fiscal agent of the United States Gov-  
17 ernment. All Acts of Congress providing for the issuance  
18 of circulating notes by national banks are hereby repealed.

19 SEC. 3. (a) There is hereby created a governing board  
20 of the Bank of the United States of America, which shall be  
21 known as the " Board of Directors of the Bank of the United  
22 States of America ", which shall be the monetary authority  
23 and agent of Congress of the Government of the United  
24 States. The Board of Directors of the Bank of the United  
25 States of America shall be composed of one representative

1 from each State, elected by the people thereof at the same  
2 time and by the same method as Representatives in Con-  
3 gress, for a period of twelve years. Immediately after they  
4 shall be assembled in consequence of the first election, they  
5 shall be divided by lot equally into six classes; the seats of  
6 the directors of the first class shall be vacated at the expira-  
7 tion of the second year; the seats of the second class at the  
8 expiration of the fourth year; the third class at the expiration  
9 of the sixth year; the fourth class at the expiration of the  
10 eighth year; the fifth class at the expiration of the tenth  
11 year; and the sixth class at the expiration of the twelfth  
12 year; so that one-sixth may be chosen every second year;  
13 and if vacancies happen by resignation or otherwise the  
14 executive of the State affected may make a temporary  
15 appointment until the next general election to fill the  
16 vacancy. The Board of Directors shall choose from among  
17 their own number an executive board consisting of seven  
18 members and including a governor and a vice governor  
19 selected by a majority of the forty-eight directors. The  
20 salary of each director shall be the same as that of an  
21 Associate Justice of the Supreme Court of the United  
22 States, paid out of the funds of the United States Treas-  
23 ury not otherwise appropriated. The directors shall  
24 not during their term of office hold any direct or indirect  
25 financial interest in any bank, banking institution, bank-

1 ing firm, or financial institution, or any firm or corporation  
2 as stockholder, director, or officer either in the United States  
3 or in any foreign country. The Board of Directors shall  
4 assemble on the first Monday in December and remain in  
5 session at least nine months during each year. A majority  
6 shall constitute a quorum. The Board may determine the  
7 rules for its proceedings. Congress may, by the process of  
8 impeachment, remove a director. No director shall, during  
9 the term for which he is elected, be appointed to any civil  
10 office under the authority of the United States or of the  
11 States, Territories, or possessions, nor be a Member of either  
12 House of Congress. Any director shall be eligible for reelection.  
13 Upon attaining the age of seventy years, each director  
14 shall retire, with an annual pension for the rest of his  
15 natural life equal to \$1,000 per year for each year of service  
16 or major fraction thereof: *Provided*, That the maximum  
17 annual pension shall be \$12,000, which shall be paid  
18 out of the funds of the United States Treasury not otherwise  
19 appropriated.

20 (b) The Secretary of the Treasury and the Comptroller  
21 of the Currency shall be ex-officio members of the  
22 Executive Board of the Bank of the United States of  
23 America.

24 (c) The members of the Federal Reserve Board at the  
25 time of the enactment of this Act shall serve as members



1 of the Executive Board of the Bank of the United States  
2 of America until their successors are elected and qualify, as  
3 herein specified.

4 SEC. 4. (a) The Board of Directors of the Bank of  
5 the United States of America is authorized to appoint and  
6 fix the compensation of a president and vice president and  
7 such other executive officers, examiners, economists, and  
8 other experts as may be necessary to carry out its functions  
9 under this Act, without regard to provisions of other laws  
10 applicable to the employment and compensation of officers  
11 and employees of the United States; and, in addition thereto,  
12 the Board may, subject to the civil-service laws, appoint  
13 such further officers and employees as in their judgment may  
14 be necessary, and fix their salaries in accordance with the  
15 Classification Act of 1923, as amended.

16 (b) The Board of Directors of the Bank of the United  
17 States of America shall have its principal office in Washing-  
18 ton, District of Columbia. It shall establish branch offices  
19 in each State of the United States and in its Territories and  
20 possessions and may establish agencies to conduct a general  
21 business of banking and to provide banking facilities in any  
22 recognized trading center of the United States which is  
23 denied adequate banking facilities by private institutions,  
24 and shall formulate policies and regulations for the manage-  
25 ment of such branch offices and agencies. Branch offices

1 shall be designated by States, as “ Maine Branch, Bank of  
2 the United States of America ”; “ California Branch, Bank  
3 of the United States of America ”, and so forth.

4 SEC. 5. (a) After the passage of this Act, no currency  
5 shall be issued under the authority of the United States  
6 except the notes of the Bank of the United States of America  
7 of the same size as the present Federal Reserve notes and  
8 of such denominations as may be determined by the Execu-  
9 tive Board of the Bank of the United States of America,  
10 which said bank notes shall be full legal tender at face value  
11 for all debts, public and private, within the United States  
12 or its Territories or possessions.

13 (b) Within one year from the passage of this Act  
14 all present Federal Reserve notes, Federal Reserve bank  
15 notes, national bank notes, gold certificates, silver certifi-  
16 cates, Treasury notes of 1890, and United States notes  
17 issued and outstanding shall be recalled for redemption, and  
18 those turned in for redemption shall be retired and destroyed,  
19 and notes of the Bank of the United States of America herein  
20 provided shall be issued to exchange, it being the purpose  
21 of this Act to substitute the notes of the Bank of the United  
22 States of America herein provided for all other forms of  
23 paper currency of the United States.

24 SEC. 6. In the exercise of its jurisdiction as agent of  
25 the Congress of the United States to issue money and to con-

1 trol the value thereof, the Executive Board of the Bank of  
2 the United States of America may from time to time order  
3 and direct the Secretary of the Treasury of the United  
4 States to engrave or cause to be engraved, and to print or  
5 cause to be printed, United States Bank notes as provided  
6 in this Act, in such quantities and denominations as the  
7 said Board may deem necessary, and to hold the said United  
8 States Bank notes subject to further order of the said Board.

9 SEC. 7. The Secretary of the Treasury of the United  
10 States shall, upon receipt of directions or instructions or  
11 orders from the Executive Board, duly authenticated in such  
12 manner as may be prescribed by the Board of Directors,  
13 execute the said directions, instructions, or orders, forth-  
14 with, by engraving, printing, and disposing of the said notes  
15 of the Bank of the United States of America as specified  
16 in said duly authenticated directions, instructions, or orders,  
17 and the said duly authenticated directions, instructions, or  
18 orders shall at all times be considered and construed to be  
19 the direct Acts of the Congress of the United States,  
20 through its duly authorized agent, the Bank of the United  
21 States of America.

22 SEC. 8. (a) Immediately upon the passage of this  
23 Act, the Bank of the United States of America is hereby  
24 authorized and directed as soon as possible to purchase the  
25 capital stock of the twelve Federal Reserve banks and

1 branches, and agencies thereof, and to pay to the owners  
2 thereof in the notes of the Bank of the United States of  
3 America the paid-in value of said stock, with 6 per centum  
4 per annum interest from the last dividend date.

5 (b) That all member banks of the Federal Reserve  
6 System are hereby required and directed to deliver forth-  
7 with to the Bank of the United States of America all the  
8 stock of the said Federal Reserve banks owned or controlled  
9 by them, together with any and all claims of any kind or  
10 nature in and to the capital assets of the said Federal Re-  
11 serve banks, it being the intention of this Act to vest in the  
12 Government of the United States the absolute and uncondi-  
13 tional ownership of the said Federal Reserve banks.

14 SEC. 9. Upon the purchase of the stock of any Federal  
15 Reserve bank by the Bank of the United States of America  
16 as herein provided, the said Federal Reserve bank shall  
17 immediately become a branch of the Bank of the United  
18 States of America and subject in every respect to the juris-  
19 diction of the Board of Directors of the Bank of the United  
20 States of America herein provided for, and the terms of the  
21 officers of the Board of Governors of the said Federal Re-  
22 serve bank shall immediately cease and terminate: *Pro-*  
23 *vided, however,* That the chairman of the Board of Gov-  
24 ernors of the said Federal Reserve bank and all the executive  
25 officers or employees thereof shall continue to perform their

1 customary duties and obligations in the operation of said  
2 Federal Reserve bank until their successors shall be appointed  
3 by the elected Board of Directors of the Bank of the United  
4 States of America.

5 SEC. 10. (a) All individuals, firms, associations, or  
6 corporations engaged in the business of banking as defined  
7 by law and among other things receiving deposits of money  
8 or credit from the citizens or firms, corporations, or associa-  
9 tions of any State and transferring or transporting said  
10 money or credit or the title thereto to other banks or indi-  
11 viduals, firms, associations, or corporations of any other  
12 State or States, Territories, and possessions of the United  
13 States, are hereby declared to be engaged in interstate com-  
14 merce, and as such are subject to Federal jurisdiction and to  
15 the jurisdiction of the Bank of the United States of America  
16 and all the provisions of this Act.

17 (b) Within one year after the passage of this Act, all  
18 banking institutions under the jurisdiction of the Bank of  
19 the United States of America shall be required to keep on  
20 deposit with the Bank of the United States of America, or in  
21 its vaults, United States bank notes herein provided for a  
22 full 100 per centum of its deposits which are subject to  
23 check and payable on demand; and, in addition thereto, it  
24 shall keep within its vaults the further sum equal to 5 per  
25 centum upon all savings or investment deposits commonly

1 known as "time" deposits. All demand deposits shall be  
2 held in trust for the benefit of the depositors and shall not be  
3 merged with or become a part of the assets of the bank, nor  
4 shall such trust deposits be liable for any debt or obligation  
5 of the said bank.

6 (c) For the purpose of creating the lawful money  
7 reserve hereinabove required, the Bank of the United States  
8 of America shall purchase from banks and from individuals,  
9 firms, and corporations in the United States, bonds of the  
10 United States Government, or guaranteed by the United  
11 States Government, and may purchase obligations of States  
12 or municipalities of the United States whenever necessary  
13 to carry out the purposes of this Act.

14 SEC. 11. The Bank of the United States of America is  
15 hereby authorized to purchase or sell gold, silver, and foreign  
16 exchange in the financial markets of the United States at  
17 such times and in such quantities as in its discretion is  
18 necessary to carry out the purposes of this Act, namely, to  
19 regulate the value of money of the United States and of  
20 foreign countries.

21 SEC. 12. (a) The Bank of the United States of Amer-  
22 ica shall have jurisdiction over and shall control and super-  
23 vise all banking institutions whatsoever of the United  
24 States and Territories and possessions thereof, subject to law,  
25 and shall have the power to prescribe such rules and regu-

1 lations not inconsistent with the law as it may deem desir-  
2 able for the safe and proper conduct of the banks and bank-  
3 ing institutions within its jurisdiction.

4 (b) The Comptroller of the Currency and all officers  
5 of the Government of the United States, exercising any  
6 supervisory powers or duties over the banks of the United  
7 States, or any of them, shall carry out and perform such  
8 rules and regulations for the conduct of banks and banking  
9 institutions in the United States or Territories or possessions  
10 thereof as may, from time to time, be prescribed by the  
11 Bank of the United States of America through its duly  
12 designated officers.

13 SEC. 13. Directly upon the passage of this Act, the  
14 Bureau of Labor Statistics of the Department of Labor shall  
15 be transferred to the Bank of the United States of America,  
16 and such Bureau shall thereafter be under the supervision of  
17 the Board of Directors of the Bank of the United States  
18 of America. The statistical department of the present Fed-  
19 eral Reserve Board, together with the statistical depart-  
20 ments of the Comptroller of the Currency, the Secretary of  
21 the Treasury, and of the Treasurer of the United States,  
22 together with the Bureau of Foreign and Domestic Com-  
23 merce and the Bureau of Agricultural Economics, shall all  
24 be consolidated with the Bureau of Labor Statistics, and  
25 the name of the consolidated bureaus and departments

1 shall be the "Bureau of United States Statistics." The  
2 duties of said Bureau, in addition to all those now pre-  
3 scribed by law for the bureaus and departments consolidated  
4 therein, shall be to collect, assemble, and analyze authentic  
5 data, for the purpose of determining the true and correct  
6 relation of the total amount of money in actual circulation,  
7 including both currency and credit money commonly called  
8 "demand deposits", to prices, wages, industry and com-  
9 merce, the standard of living, employment and unemploy-  
10 ment, to the end that the Board of Directors of the Bank  
11 of the United States of America and the Executive Board  
12 thereof may scientifically and accurately determine the  
13 rate at which progressive additions to the stock or circulat-  
14 ing money, including coin, currency, and credit, must be  
15 made in order to maintain an even and stable purchasing  
16 power, and to promote a constantly rising standard of liv-  
17 ing for the people of this Nation, unlimited except by the  
18 extent of natural resources and the willingness of the people  
19 to work.

20       SEC. 14. It is hereby made mandatory upon the Board  
21 of Directors of the Bank of the United States of America  
22 and the Executive Board thereof to provide such stable  
23 purchasing power of money and equitable price levels, first,  
24 by the progressive purchase of the bonds of the United  
25 States and the creation of the 100 per centum reserves



1 behind demand deposits, and, further, if necessary, by in-  
2 creasing the money in circulation by paying the extraor-  
3 dinary and then the ordinary expenses of government by  
4 currency issue until the average commodity price level  
5 reaches the index of the Bureau of Labor Statistics for 1926.  
6 The Board of Directors of the Bank of the United States of  
7 America will determine a true and equitable commodity  
8 price level to succeed that of 1926, and it is made mandatory  
9 on the Board of Directors to provide issues of currency which  
10 will maintain this level.

11 SEC. 15. The Board of Directors of the Bank of the  
12 United States shall recommend to Congress the retirement  
13 through taxation of such excesses of currency as may be  
14 necessary to keep the price level from rising above the level  
15 prescribed by section 14 of this Act.

16 SEC. 16. All laws or parts of laws in conflict with this  
17 Act are hereby repealed.

18 SEC. 17. If any provision of this Act or the application  
19 of such provision to any person or circumstance shall be held  
20 invalid, the remainder of this Act or the application of such  
21 provision to persons or circumstances other than those as to  
22 which it is held invalid shall not be affected thereby.

23 SEC. 18. This Act shall take effect January 1, 1936,  
24 or sooner by proclamation of the President.

25 SEC. 19. This Act may be cited as the "National  
26 Banking and Monetary Control Act of 1935."

74<sup>TH</sup> CONGRESS }  
1<sup>ST</sup> SESSION }

**H. R. 7617**

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## **AMENDMENT**

Intended to be proposed by Mr. NYE to the bill  
(H. R. 7617) to provide for the sound,  
effective, and uninterrupted operation of  
the banking system, and for other purposes.

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