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May 8, 1935

FOR CIRCULATION

Honorable Duncan U. Fletcher  
United States Senate  
Washington, D. C.

✓  
direct

- Mr. Hamlin ✓
- Mr. Miller ✓
- Mr. James ✓
- Mr. Thomas ✓
- Mr. Szymczak ✓
- Mr. Morrill ✓
- Mr. Bathea ✓
- Mr. Carpenter ✓
- Mr. Noell ✓
- Mr.
- Mr.
- Mr.
- Mr.
- Mr.

Dear Senator Fletcher:

In connection with the excerpt from Mr. Platt's letter which you transmitted to me on the telephone the other day, I have the following comments to make:

It is true, as Mr. Platt says, that the Federal Reserve Board always has been consulted about the appointment of governors and chairmen and that in this respect the new bill will cause no change in the practical operation of the system. Under the proposed bill the Federal Reserve banks will continue to have the responsibility for selecting a man for the office of governor, who will also be chairman, and for his reappointment, and the Board will have the power of approval every three years. The person selected in all cases will, therefore, have to be acceptable both to the banks and to the Board. In practical operation this arrangement will be a safeguard against the continuance in office of a person who has proved to be inefficient or undesirable in some respect. It will be much easier for the Federal Reserve Board in such a case to veto a recommendation by the board of directors than it would be for the directors to fail to renominate a governor. There exists between the governors and the directors a constant friendly relationship based on daily contacts and it would be difficult for the directors to decide that the governor should not be reappointed, unless it were a very flagrant case. The Board, on the other hand, being in Washington and having a more detached point of view, as well as the opportunity of comparing the efficiency of the different Federal Reserve banks, would be in a position to say to the directors that they ought to make a change in the interests of better administration.

Under the proposed bill the Reserve banks will have regional autonomy in local matters, and the Federal Reserve Board will have authority over national monetary policy, as well as sufficient authority over the banks to discharge its supervisory responsibilities.

Very truly yours,

(Signed) Marriner S. Eccles

M. S. Eccles  
Governor

BAG ED

*[Handwritten signature]*

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Excerpt from a letter written by Edmund Platt

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"I do not see that the Board is given any more power over the Reserve banks by the fact that the Governors of the banks elected by their Directors are to be 'approved' by the Federal Reserve Board. As a matter of actual operation Class C Directors and Federal Reserve Agents never have been, or at least have only rarely been, actually appointed by the Federal Reserve Board (apart from the first appointments at the organization of the system). By this I mean that nearly all the appointments of Class C Directors and Federal Reserve Agents have been made by the Federal Reserve Board on recommendation from the Directors of the Federal Reserve banks themselves. It seems to me that that is the way the thing must operate, for a Board sitting in Washington can't possibly know the best man to select. Now and then there has been an effort to inject politics into these appointments as was the case, for instance, when President Harding undertook to select the Federal Reserve Agent for Kansas City. The Board has always successfully resisted these political efforts, ..."

TO.....Mr. Eccles.....  
FROM.....Miss. Egbert.....

REMARKS:

Mr. Sparkman called and wished you to have this excerpt from a letter written by Mr. Edmund Platt to Senator Fletcher. Mr. Sparkman said that he had been told that a similar letter had gone to Steagall but he had not been able yet to confirm it. He said that Senator Fletcher had sent a copy of this excerpt to both Congressmen Steagall and Hancock. Senator Fletcher wants your opinion on it.

1. Banks have been consulted  
we shall continue -  
They should take responsibility  
of selecting
2. The Board election responsibility

GOVERNOR'S OFFICE

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