

Office Correspondence

FEDERAL RESERVE
BOARDDate May 3, 1935To Governor Eccles

Subject: _____

From Mr. GoldenweiserProfessor Sprague's testimony

REC'D IN FILES SECTION

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Professor Sprague testified today and was favorable to nearly everything in the bill. Specifically he was in favor of changes in eligibility requirements, elimination of collateral requirements, liberalization of real estate loans, combination of duties of Federal Reserve agents and governors, and the clarification of the power to change reserve requirements. He is also in favor of the Board having authority over open-market operations. He laid most stress on the necessity of improving the character of the Board and its standing. He spoke of the desirability of taking the Secretary of the Treasury off of the Board and have the Board absorb the duties of the Comptroller of the Currency. The suggestions that he made were not numerous.

1. He thinks that real estate loans ought to be limited to the Federal Reserve districts and 100 miles outside.

2. He is in favor of having one of the Class C directors appointed chairman without any particular duties, except presiding over meetings. He suggested that these 12 chairmen could then take the place of the Federal Advisory Council.

3. He was in favor of having the approval of the governor be possibly every five years instead of every three years.

4. He wanted to eliminate the section which would make participation in open-market operations compulsory on the banks. His idea is that cooperation by a sufficient number of banks can always be obtained.

He made a very effective presentation of the uselessness of technical eligibility requirements and technical collateral requirements. He also spoke effectively on the question of inflation, indicating that an unbalanced budget did not necessarily mean inflation.

The net effect of his testimony was good. The only thing he said that might have had an unfavorable effect is that he indicated that he did not believe there was much in the bill that would encourage recovery.