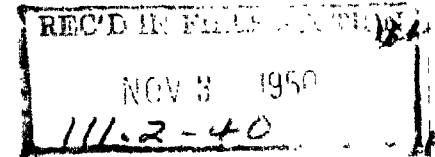


Extra copies

June 15, 1935

Governor Eccles

Mr. Goldenweiser



I attach an attempted revision of the objective to be prescribed for the Federal Reserve Board. This objective differs from the previous ones in three particulars:

1. It includes the maintenance of sound banking and credit conditions. This is clearly a part of the duties of the Federal Reserve Board and a mention of it in the objective will placate those who think that the proponents of the bill have no interest in sound banking.
2. It brings in the need at this time to restore production and employment to a satisfactory level. In the text this level is defined as the highest level consistent with economic stability.
3. It prescribes the mitigation of such fluctuations in the general level of production, trade, prices and employment, as militate against the continued stability of economic conditions.

In simple language, this objective means that the Board should contribute to the maintenance of sound banking and credit conditions and to the restoration and maintenance of prosperity. There is nothing new in the thought, but it seems to me to be a fairly satisfactory way to meet the two principal objections to the objective as originally introduced, namely, that it does not provide for the restoration of prosperity and puts too heavy a burden on the unpalatable word "Unstabilizing."

Copy to:
Marcell
Wyatt

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It shall be the duty of the Federal Reserve Board to use its powers toward the maintenance of sound banking and credit conditions and to exert such influence as lies within the scope of monetary action and credit administration (1) toward the restoration of employment and production to the highest level consistent with economic stability and, thereafter, (2) toward the moderation of such fluctuations in the general level of production, trade, prices, and employment as conflict with continued stability of economic conditions.

by to
Thurston
Currie
Thomas
Burr
Morrill
Thyett
Gardner