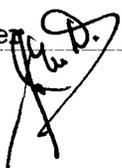


Office Correspondence

FEDERAL RESERVE
BOARDDate March 14, 1935To Governor EcclesSubject: Position to be taken in re appointment of committee to study banking and monetary system.From J. M. Daiger 

GPO 16-852

After your testimony this morning, Mr. Morrill, Dr. Currie, and I were discussing the prospect that Congressman Hollister of Ohio would urge the postponement of action on Title II of the Banking Bill and the appointment of a congressional committee or commission of so-called experts to study the banking and monetary system and then make recommendations for legislation. I expressed the view, as did Mr. Morrill, that the enactment of Title II and the appointment of a committee or commission, such as that referred to, would not represent conflicting or irreconcilable courses of action.

In other words, it would seem quite appropriate to take the position that nothing proposed in Title II is so abstruse or unfamiliar as to require, on the part of the House and Senate committees, any more information than can easily be made available to them at the present time. On the other hand, if there are additional matters in regard to the banking and monetary system--such, for example, as the 100% reserve plan--that members of the House Committee might desire to have inquired into by a subcommittee of their own members or by a commission of experts, there is no reason why you should not only have no opposition to such an inquiry, but rather every desire to cooperate in producing whatever information it may be within the power of the Federal Reserve Board to supply.

This would seem to me to be a very logical and proper position for you to take.

At the same time, I think it would be desirable to strike out hard at this point against agitation for delay, where this agitation is inspired, not by a desire to explore this or that idea or theory or experience, but simply to frustrate the passage of Title II by this session of Congress and to have it detached from Title I and Title III of the bill.

In this connection, it would be advisable to point out that the tactics of delay have been injected into every constructive proposal that has been made for the improvement of the banking system since the election of Woodrow Wilson as president in 1912. The newspapers of 1913 and the books written by such original participants in the Federal reserve legislation as Senator Glass and H. Parker Willis, show the extent of the obstructive tactics resorted to by such organizations as the American Bankers Association, the Chamber of Commerce of the United States, the National Citizens' League, etc., and also by the metropolitan press.

Precisely the same tactics were resorted to again in 1931 and in 1932 to defeat the Glass Bill that eventually became the Banking Act of 1933. In this case the demand for delay, study, and division of the bill into a number of separate measures was repeatedly urged by the organized opposition to the bill. In this case also the opposition came from precisely the same groups and the same newspapers that had taken precisely the same position in 1913.

I should prefer that you do not use in the House hearings any of the material that I have assembled on this matter of delay. The reason for this is that the material will carry much greater force with the Senate committee, in view of the fact that you will be able to quote directly from Senator Glass on the one hand and from his critics on the other.

In answering Congressman Hollister, however, I do think it important to emphasize the point that you mentioned several times in your private conversation, namely, that such organizations as the American Bankers Association and the Chamber of Commerce have continuous organizations engaged in the study of banking and economic problems, and that they should after all these years of study and experience be able to take an affirmative or negative position on a specific piece of legislation without setting up new committees and proceeding as if the subject of legislation had never been heard of before. You will also perhaps make a hit by reminding the House committee of the fact that the House and the Senate have also had banking and currency committees for a great many years, and that these committees are certainly capable of grasping the essence of Title II of the Banking Bill.